

**CITY OF NEW ROADS  
NEW ROADS, LOUISIANA**

**ANNUAL FINANCIAL REPORT  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **AUG 15 2012**

***MAJOR, MORRISON & DAVID***

Certified Public Accountants

P. O. Box 190

111 West Main Street

New Roads, LA 70760

**CITY OF NEW ROADS  
NEW ROADS, LOUISIANA  
ANNUAL FINANCIAL REPORT  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011**

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**MAJOR, MORRISON & DAVID**  
**CERTIFIED PUBLIC ACCOUNTANTS**

JOHN L. MORRISON III, CPA, PC  
MARK A. DAVID, CPA, PC

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

VAN P. MAJOR, CPA (1951-2005)

**INDEPENDENT AUDITORS' REPORT**

To Mayor Myer and  
Members of the City Council  
New Roads, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Roads, Louisiana as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of New Roads, Louisiana. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Roads, Louisiana, as of December 31, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2012 on our consideration of the City of New Roads, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11, 51 and 57, be presented to supplement the basic financial statements. Such information including health care information on page 52, although not a part of the basic financial statements, are required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the

basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Roads, Louisiana's financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the other supplemental information schedules as listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of New Roads, Louisiana. The schedule of expenditures of federal awards and other supplemental information schedules as listed in the foregoing table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Major, Morrison & David*

Major, Morrison & David  
New Roads, Louisiana  
June 18, 2012

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**CITY OF NEW ROADS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

As management of the City of New Roads, Louisiana (the "City"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City of New Roads, Louisiana for the fiscal year ended December 31, 2011. This management discussion and analysis ("MD&A") is designed to provide an easy to read analysis of the City's financial activities based upon facts, decisions, or conditions currently known. This MD&A is intended to provide the readers of these financials with a broad overview of City finances. It is also intended to provide readers with an analysis of the City's short-term and long-term activities based upon information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address next year and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

The information contained within this MD&A should be considered only a part of a greater whole, as should all other sections in this financial report. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information ("RSI") that is provided in addition to this Management's Discussion and Analysis.

**Financial Highlights**

- The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$14,031,393, a decrease of \$897,173 from last year. Of this amount, \$4,119,981 is unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$384,354, a decrease of \$587,501 in comparison with the prior year. The unrestricted fund balance in the general fund, \$221,373, is available for spending at the government's discretion (unassigned fund balance). All other fund balances are non-spendable (prepaid expenses) or restricted for grants or liability claims.
- At the end of the current fiscal year, unassigned fund balance for the general fund was 3.7 percent of the total general fund expenditures and transfers out.
- The City's total debt increased by \$1,881,432 in order to accomplish infrastructure improvements. (Note 12).

**Overview of the Financial Statements**

The intention of the discussion and analysis is to serve as an introduction to the City's financial statements. The City's basic financial statements consist of the following components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements
4. Other Supplementary Information, in addition to the basic financial statements themselves.

**1. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Government-Wide Financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the City's financial position and results of operations in a manner similar to private-sector business.

- A. The statement of net assets presents information on all of the City's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net assets.

**CITY OF NEW ROADS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or weakening.

- B. The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government wide financial statements further assist the reader in their evaluation by distinguishing functions of the City into:

- A. Governmental activities that are principally supported by taxes and intergovernmental revenues, and
- B. Business-type activities from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of New Roads, assets exceeded its liabilities at the close of the most recent fiscal year by \$14,031,393, a decrease of \$897,173 from last year. The following is a summary of the City's net assets:

<b>CITY OF NEW ROADS</b>						
Net assets						
	<u>Governmental</u> <u>Activities</u>		<u>Business- type</u> <u>Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Current & Other Assets	2,711,156	1,448,043	3,655,575	5,915,434	6,366,731	7,363,477
Capital Assets	<u>3,553,352</u>	<u>3,507,505</u>	<u>11,492,071</u>	<u>11,640,240</u>	<u>15,045,423</u>	<u>15,147,745</u>
Total Assets	<u>6,264,508</u>	<u>4,955,548</u>	<u>15,147,646</u>	<u>17,555,674</u>	<u>21,412,154</u>	<u>22,511,222</u>
Long-term Liabilities	208,869	320,803	4,382,788	6,409,222	4,591,657	6,730,025
Other Liabilities	<u>1,739,301</u>	<u>1,063,689</u>	<u>152,630</u>	<u>686,115</u>	<u>1,891,931</u>	<u>1,749,804</u>
Total liabilities	<u>1,948,170</u>	<u>1,384,492</u>	<u>4,535,418</u>	<u>7,095,337</u>	<u>6,483,588</u>	<u>8,479,829</u>
Net Assets:						
Invested in capital assets.						
Net of related debt	3,553,352	3,507,505	6,699,917	4,966,654	10,253,269	8,474,159
Restricted	204,223	162,981	1,242,554	1,274,272	1,446,777	1,437,253
Unrestricted	<u>558,763</u>	<u>( 99,430)</u>	<u>2,669,757</u>	<u>4,219,411</u>	<u>3,228,520</u>	<u>4,119,981</u>
Total Net Assets	<u>4,316,338</u>	<u>3,571,056</u>	<u>10,612,228</u>	<u>10,460,337</u>	<u>14,928,566</u>	<u>14,031,393</u>

By far the largest portion of the City's net assets (60%) reflects its investment in capital assets (e.g., land, buildings, land improvements, machinery and equipment, vehicles, city infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF NEW ROADS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

An additional portion of the City's net assets (10%) represents resources that are subject to external and internal restrictions on how they are used. The remaining balance of \$4,119,981 in unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for its business-type activities. The same situation held true for the prior fiscal year. The governmental activities reported a deficit within its unrestricted net asset balance for the first time and is expected to return to a positive balance next year.

The City's net assets decreased by \$897,173, during the current fiscal year.

**CITY OF NEW ROADS**  
**Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	787,344	1,050,100	6,552,003	6,351,752	7,339,347	7,401,852
Operating grants & Contributions	427,836	424,348	0	0	427,836	424,348
Capital grants & Contributions	413,690	24,307	48,114	0	461,804	24,307
General revenues:						
Sales taxes	1,138,295	1,146,839	0	0	1,138,295	1,146,839
Other taxes	269,353	275,912	0	0	269,353	275,912
Other general revenue	<u>518,688</u>	<u>501,314</u>	<u>204,735</u>	<u>197,336</u>	<u>723,423</u>	<u>698,650</u>
Total revenues	<u>3,555,206</u>	<u>3,422,820</u>	<u>6,804,852</u>	<u>6,549,088</u>	<u>10,360,058</u>	<u>9,971,908</u>
Expenses:						
General government	1,947,520	2,127,123	0	0	1,947,520	2,127,123
Public safety	1,291,718	1,302,068	0	0	1,291,718	1,302,068
Transportation	39,842	54,785	0	0	39,842	54,785
Streets & sanitation	782,651	834,886	0	0	782,651	834,886
Public works	307,685	295,997	0	0	307,685	295,997
Culture & recreation	186,330	152,685	0	0	186,330	152,685
Economic development	88,736	229,246	0	0	88,736	229,246
Welfare	248,016	275,766	0	0	248,016	275,766
Debt service	0	0	0	0	0	0
Elect, Gas, Water, Sewer	<u>0</u>	<u>0</u>	<u>6,366,066</u>	<u>5,596,525</u>	<u>6,366,066</u>	<u>5,596,525</u>
Total expenses	<u>4,892,498</u>	<u>5,272,556</u>	<u>6,366,066</u>	<u>5,596,525</u>	<u>11,258,564</u>	<u>10,869,081</u>
Increase (decrease) in net Assets before transfers	(1,337,292)	(1,849,736)	438,786	952,563	( 898,506)	( 897,173)
Transfers	<u>1,090,000</u>	<u>1,104,454</u>	<u>(1,090,000)</u>	<u>( 1,104,454)</u>	<u>0</u>	<u>0</u>
Increase (decrease) in Net assets	(247,292)	( 745,282)	( 651,214)	( 151,891)	( 898,506)	( 897,173)
Net assets 1/01	<u>4,563,630</u>	<u>4,316,630</u>	<u>11,263,442</u>	<u>10,612,228</u>	<u>15,827,072</u>	<u>14,928,566</u>
Net assets 12/31	<u>4,316,338</u>	<u>3,571,056</u>	<u>10,612,228</u>	<u>10,460,337</u>	<u>14,928,566</u>	<u>14,031,393</u>

**CITY OF NEW ROADS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

**Governmental Activities**

The Governmental Activities of the City include General Government, Public Safety, Transportation, Public Works, Streets and Sanitation, Recreation, Economic Development, Culture and Tourism, and Welfare. Sales taxes, property taxes, franchise taxes, as well as occupational licenses and fines, and internal transfers from the City's business activities fund most of these governmental activities.

Here we show the City's expenditures related to those functions typically associated with governments. In the chart below, General Government includes the following departments: Legislative (City Council), Judicial, Executive, Financial, Building and other General Administration. Public Safety encompasses the police department. Public Works is made up of the street and sanitation department. Culture and Tourism and Recreation departments contain the City's parks and community center activities. Community Development consists of the Main Street department and Transportation consists of the City's venture with the parish government involving the airport and civic center. Welfare consists of the city's HUD section 8 housing program.

**Governmental Activities Expenditures:**

	2010	2010	2011	2011
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
General Government	\$1,947,520	40%	\$2,127,123	40%
Public Safety	1,291,718	26%	1,302,068	25%
Transportation	39,842	1%	54,785	1%
Public Works	307,685	6%	295,997	6%
Street & Sanitation	782,651	16%	834,886	16%
Recreation-Culture & Tourism	186,330	4%	152,685	3%
Main Street Economic Development	88,736	2%	229,246	4%
Welfare Programs	<u>248,016</u>	<u>5%</u>	<u>275,766</u>	<u>5%</u>
Total Governmental Activities	<u>\$4,892,498</u>	<u>100%</u>	<u>\$5,272,556</u>	<u>100%</u>

General revenues are those available for the City to use to pay for the governmental activities described above.

**General Revenues:**

	2010	2010	2011	2011
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Taxes:				
Sales Taxes	\$1,138,295	38%	\$1,146,839	38%
Franchise Taxes	42,763	1%	31,201	1%
Property Taxes	226,590	7%	244,711	8%
Licenses & Permits	252,494	9%	266,874	9%
Intergovernmental Revenues	157,590	5%	158,950	5%
Investment Earnings	3,543	1%	1,587	1%
Miscellaneous	105,061	3%	73,904	2%
Transfers – Internal Activities	<u>1,090,000</u>	<u>36%</u>	<u>1,104,454</u>	<u>36%</u>
Total General Revenues & Transfers	<u>\$3,016,336</u>	<u>100%</u>	<u>\$3,028,520</u>	<u>100%</u>

Transfers from the city's business-type activities are the second largest revenue source for the City comprising 36% of total governmental revenue. These transfers increased from fiscal year December 31, 2010 to December 31, 2011 by \$14,454.

Sales taxes are the largest revenue source for the City comprising 38% of total governmental revenue. Sales tax revenues increased from fiscal year ending December 31, 2010 to December 31, 2011 by \$8,544.

Expenditures for the governmental activities increased by \$380,058 or 7% due to increased personnel costs (retirement and health insurance), professional fees, operating, and fuel costs.

**CITY OF NEW ROADS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

**Business-Type Activities**

The Business-Type Activities of the City are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's electric, gas, water, and sewer departments are reported here.

**Business Type Activities:**

	Fiscal year ended <u>December 31, 2010</u>	<u>Operating Revenues</u> Fiscal year ended <u>December 31, 2011</u>	Increase/ (Decrease) <u>Between Years</u>	<u>%</u>
Electric	\$4,054,130	\$4,178,295	\$ 124,165	3.1
Gas	\$1,381,231	\$1,100,482	\$ ( 280,749)	(20.3)
Water	\$ 706,466	\$ 663,810	\$ ( 42,656)	( 6.0)
Sewer	<u>\$ 410,176</u>	<u>\$ 409,165</u>	<u>\$ ( 1,011)</u>	<u>( .2)</u>
	<u>\$6,552,003</u>	<u>\$6,351,752</u>		

Increase/(Decrease) Between Years.....\$ ( 200,251)

	Fiscal year ended <u>December 31, 2010</u>	<u>Operating Expenses</u> Fiscal year ended <u>December 31, 2011</u>	Increase/ (Decrease) <u>Between Years</u>	<u>%</u>
Electric	\$3,888,876	\$3,512,054	\$ ( 376,822)	(9.7)
Gas	\$1,031,978	\$ 825,125	\$ ( 206,853)	(20.0)
Water	\$ 712,566	\$ 630,852	\$ ( 81,714)	(11.5)
Sewer	<u>\$ 381,495</u>	<u>\$ 272,904</u>	<u>\$ ( 108,591)</u>	<u>(28.5)</u>
	<u>\$6,014,915</u>	<u>\$5,240,935</u>		

Increase/(Decrease) Between Years.....\$ (773,980)

**2. FUND FINANCIAL STATEMENTS**

A fund is the grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

A. Governmental funds are used to account for most of the City's basic services that are reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Modified accrual accounting is used to report these funds. Modified accrual accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information aids in the determination of whether there are more or less financial resources that can be spent in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are located on pages 16 and 18.

**CITY OF NEW ROADS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is the only major governmental fund. Data for the other non-major fund (HUD Section 8 Special Revenue Fund) is combined into a single, aggregated presentation. The basic fund financial statements can be found on pages 15 and 17 of this report.

**Financial Analysis of the Governmental Funds**

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$384,354, a decrease of \$587,501 from the prior year ending December 31, 2010. In the General Fund, the unassigned fund balance is \$221,373.

The City has restricted \$2,964 of its general fund balance for possible future coverage in liability claims. The general fund balance also consists of non-spendable balance in the form of prepaid expenses.

The City's major fund- the General Fund had a decrease from the prior year of \$591,121, from \$846,057 in the year ending December 31, 2010 to \$254,936 in the year ending December 31, 2011. The restricted fund balances in the other governmental funds in the amount of \$129,418 indicate that these funds are not available for new spending because they have already been committed for grant programs. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements in the Supplemental Information portion of this report, beginning on page 55.

B. Proprietary Funds- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Electric, Gas, Water and Sewer departments. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Gas, Water, and Sewer departments, which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 19-22 of this report.

**3. NOTES TO THE FINANCIAL STATEMENTS**

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statement can be found on pages 24-49 of this report.

**4. OTHER SUPPLEMENTARY INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found beginning on page 51 of this report.

- a. Budgetary Comparison Schedule - The City adopts an annual appropriated budget for its general fund and special revenue fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget on pages 51 and 57.
- b. Analysis of Significant Budget Variances in the General Fund:
  1. Revenues:
    - a. Increases in charges for services from Harvest Festival revenues of \$205,437.
    - b. Decrease in intergovernmental revenue of \$120,183 due to reduced federal grants.
  2. Expenditures:
    - a. Under budgeted for Harvest Festival expenses of \$189,948.
    - b. Over budgeted for personnel costs & operating costs in public safety \$58,226.
    - c. Over budgeted for transfers in from proprietary funds of \$304,146.

**CITY OF NEW ROADS, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011**

**Supplemental Information**

- A. Combining statements of the Non-Major Governmental Fund (Special Revenue: HUD Section 8) has been provided on pages 55 - 56.
- B. Other Supplementary schedules follow, starting on page 54.

**Capital Asset and Debt Administration**

**A. Capital Assets**

The city's investment in capital assets for its governmental and business-type activities as of December 31, 2011 amounts to \$15,147,745 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, furniture and fixtures, park facilities, roads, and highways. The total increase in the City's investment in capital assets for the current fiscal year was \$102,322 or .7%, net of depreciation expense in the amount of \$972,162.

Major capital asset additions during the current fiscal year included the following:

1. Two pick-up trucks for the public works department for \$33,440.
2. Twelve law enforcement vehicles for \$180,626.
3. Ice skating rink and equipment for the recreation department for \$31,287.
4. Standby generator & buoys for the river for safety for \$9,071.
5. Underground electrical system improvements & backup generator for \$82,809.
6. Sewer system improvements for Olinde & Northwest City Limits for \$759,820.
7. Construction in progress on the citywide automatic meter reading project of \$54,384.
8. Construction in progress on various sewer improvements for \$150,456 and electrical improvements of \$20,397.

Additional information on the City's capital assets can be found in Note 6 on pages 34 and 35 of this report.

**B. Long-Term Debt**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$6,673,586. Of this amount, \$6,490,000 is payable from the income and revenues earned from the electric system, and \$183,586 is payable from the income and revenues earned from the water and sewer system.

The City's total debt increased \$2,325,116 (48.5%) during the current fiscal year due to refinancing of the old debt at interest cost savings and to provide additional funds for utility system improvements. Total principal payments made on debt during the year amounted to \$443,684. Additional information on the City's long-term debt can be found in Note 12 on pages 41-44.

**Economic Factors and Next Year's Budget**

The following factors were considered in preparing the City's budget for the 2012 fiscal year:

Budgeted sales and property tax amounts were not adjusted due to the stagnant economy with no expected increases or decreases in these taxes expected during the coming year.

Intergovernmental revenues were budgeted at a higher amount due to projects which will be funded by grants.

Garbage service revenue and traffic fines and fees were not adjusted due to unlikely increases. All other revenues were budgeted at roughly the same amounts as earned in 2011.

Transfers from the utility funds are expected to be higher in order to balance the general government functions.

**CITY OF NEW ROADS, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011**

Within expenses, additional amounts were budgeted for personnel costs due to inflationary pressures on health care expenses. Retirement costs were budgeted higher due to expected increases in the government's retirement contribution rates. Capital outlay budget funds have been increased due to the continuation of projects for which bonds or grants will be used to complete the projects. Within the proprietary funds, expenditures will be incurred to complete the sewer lift station improvements, automatic meter reader project, and other small capital improvement projects to be funded with the refinancing of the old bonded debt. Additional cuts in expenditures where possible are expected to be made for a more efficient operations. All other items were estimated to remain in line with 2011 actual figures.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mayor Robert A. Myer, City of New Roads P.O. Box 280 New Roads, Louisiana, 70760.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF NEW ROADS, LOUISIANA**  
**STATEMENT OF NET ASSETS**  
December 31, 2011

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 124,571	\$ 117,392	\$ 241,963
Investments	590,662	1,962	592,624
Account receivables, net	143,749	848,683	992,432
Internal balances	189,546	(189,546)	-
Due from other governmental units	236,534	-	236,534
Prepaid expenses	30,599	12,169	42,768
Deferred bond refunding cost	-	214,648	214,648
Restricted cash & cash equivalents	132,382	4,367,710	4,500,092
Restricted investments	-	542,416	542,416
Capital assets, net of depreciation	3,507,505	11,640,240	15,147,745
<b>Total assets</b>	<b>4,955,548</b>	<b>17,555,674</b>	<b>22,511,222</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	407,137	643,856	1,050,993
Internal balances	654,462	(654,462)	-
Due to other governmental units	2,090	17,404	19,494
Current portion of long-term obligations	-	335,000	335,000
Utility deposits	-	344,317	344,317
Non-current portion of long-term obligations	-	6,338,586	6,338,586
Other post employment benefits payable	320,803	70,636	391,439
<b>Total liabilities</b>	<b>1,384,492</b>	<b>7,095,337</b>	<b>8,479,829</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,507,505	4,966,654	8,474,159
Restricted for:			
Liability Claims	2,964	-	2,964
Prepaid expenses	30,599	-	30,599
Capital additions	-	780,809	780,809
Debt service	-	493,463	493,463
HUD grant	129,418	-	129,418
Unrestricted (deficit)	(99,430)	4,219,411	4,119,981
<b>Total net assets</b>	<b>\$ 3,571,056</b>	<b>\$ 10,460,337</b>	<b>\$ 14,031,393</b>

The accompanying notes are an integral part of this statement.

**CITY OF NEW ROADS, LOUISIANA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2011**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 2,127,123	\$ 353,448	\$ 39,179	\$ 24,307	\$ (1,710,189)	-	\$ (1,710,189)
Public safety	1,302,068	129,005	105,634	-	(1,067,429)	-	(1,067,429)
Transportation	54,785	-	-	-	(54,785)	-	(54,785)
Streets & sanitation	834,886	342,511	-	-	(492,375)	-	(492,375)
Public works	295,997	5,609	-	-	(290,388)	-	(290,388)
Culture and recreation	152,685	6,820	150	-	(145,715)	-	(145,715)
Economic development	229,246	212,707	-	-	(16,539)	-	(16,539)
Welfare	275,766	-	279,385	-	3,619	-	3,619
<b>Total governmental activities</b>	<b>5,272,556</b>	<b>1,050,100</b>	<b>424,348</b>	<b>24,307</b>	<b>(3,773,802)</b>	<b>-</b>	<b>(3,773,802)</b>
<b>Business-type activities:</b>							
Electric	3,741,710	4,178,295	-	-	-	436,585	436,585
Natural gas	855,795	1,100,482	-	-	-	244,687	244,687
Water and sewer	999,020	1,072,975	-	-	-	73,955	73,955
<b>Total business-type activities</b>	<b>5,596,525</b>	<b>6,351,752</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>755,227</b>	<b>755,227</b>
<b>Total primary government</b>	<b>\$ 10,869,081</b>	<b>\$ 7,401,852</b>	<b>\$ 424,348</b>	<b>\$ 24,307</b>	<b>(3,773,802)</b>	<b>755,227</b>	<b>(3,018,575)</b>
<b>General revenues:</b>							
Taxes:							
Sales taxes					1,146,839	-	1,146,839
Property taxes					244,711	-	244,711
Franchise taxes					31,201	-	31,201
Occupational licenses					266,874	-	266,874
Video poker revenue					158,950	-	158,950
Gain(loss) on sale of fixed assets					8,777	-	8,777
Investment earnings					1,587	6,341	7,928
Miscellaneous					65,127	190,995	256,122
Transfers - internal activities					1,104,454	(1,104,454)	-
<b>Total general revenues and transfers</b>					<b>3,028,520</b>	<b>(907,118)</b>	<b>2,121,402</b>
<b>Change in net assets</b>					<b>(745,282)</b>	<b>(151,891)</b>	<b>(897,173)</b>
<b>Net assets - beginning of the year</b>					<b>4,316,338</b>	<b>10,612,228</b>	<b>14,928,566</b>
<b>Net assets - end of the year</b>					<b>\$ 3,571,056</b>	<b>\$ 10,460,337</b>	<b>\$ 14,031,393</b>

The accompanying notes are an integral part of this statement.

**CITY OF NEW ROADS, LOUISIANA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2011**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>			
Current Assets			
Cash	\$ 124,572	\$ -	\$ 124,572
Investments	590,662	-	590,662
Accounts receivable, net	143,749	-	143,749
Due from other funds	189,546	-	189,546
Due from other governmental units	236,534	-	236,534
Prepaid expenses	30,599	-	30,599
Restricted Assets			
Cash	2,964	129,418	132,382
 TOTAL ASSETS	 \$ 1,318,626	 \$ 129,418	 \$ 1,448,044
<b><u>LIABILITIES &amp; FUND BALANCE</u></b>			
<b><u>LIABILITIES:</u></b>			
Accounts payable	\$ 208,466	\$ -	\$ 208,466
Accrued liabilities	71,156	-	71,156
Compensated absences	127,516	-	127,516
Due to other funds	654,462	-	654,462
Due to other governmental units	2,090	-	2,090
TOTAL LIABILITIES	1,063,690	-	1,063,690
<b><u>FUND BALANCE</u></b>			
Nonspendable:			
Prepaid expenses	30,599	-	30,599
Restricted for:			
Liability claims	2,964	-	2,964
Federal grants	-	129,418	129,418
Unassigned	221,373	-	221,373
TOTAL FUND BALANCE	254,936	129,418	384,354
 TOTAL LIABILITIES & FUND BALANCE	 \$ 1,318,626	 \$ 129,418	 \$ 1,448,044

The accompanying notes are an integral part of this statement.

**CITY OF NEW ROADS, LOUISIANA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**

**For the Year Ended December 31, 2011**

Total fund balance - governmental funds	\$ 384,354
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Balance sheet - governmental funds.	3,507,505
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Balance Sheet - governmental funds.	
Other post employment benefits	<u>(320,803)</u>
Total net assets of governmental activities	<u>\$ 3,571,056</u>

The accompanying notes are an integral part of this statement.

**CITY OF NEW ROADS, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 1,450,284	\$ -	\$ 1,450,284
Licenses and permits	279,684	-	279,684
Intergovernmental revenue	287,728	234,018	521,746
Charges for services	643,127	-	643,127
Fines and forfeitures	64,037	-	64,037
Miscellaneous	409,797	45,367	455,164
	<hr/>	<hr/>	<hr/>
Total revenues	3,134,657	279,385	3,414,042
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
General government	1,680,893	-	1,680,893
Public safety	1,302,068	-	1,302,068
Streets and sanitation	834,886	-	834,886
Transportation	54,785	-	54,785
Culture and recreation	152,685	-	152,685
Economic development and assistance	229,246	-	229,246
Education	-	-	-
Capital outlay	303,772	-	303,772
Debt service	-	-	-
Welfare	-	275,765	275,765
Public works	295,997	-	295,997
	<hr/>	<hr/>	<hr/>
Total expenditures	4,854,332	275,765	5,130,097
	<hr/>	<hr/>	<hr/>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(1,719,675)	3,620	(1,716,055)
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,104,454	-	1,104,454
Sale of fixed assets	24,100	-	24,100
Transfers out	-	-	-
Total other financing sources (uses)	1,128,554	-	1,128,554
	<hr/>	<hr/>	<hr/>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(591,121)	3,620	(587,501)
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	846,057	125,798	971,855
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES AT END OF YEAR</b>	\$ 254,936	\$ 129,418	\$ 384,354
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of this statement.

**CITY OF NEW ROADS, LOUISIANA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2011**

Net change in fund balances - total governmental funds	\$ (587,501)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount which capital outlays exceeded depreciation in the current period.

Capital outlays	303,772
Depreciation expense	(334,296)

Governmental funds report the proceeds from the sale of capital assets as revenues. However, in the statement of activities only gains or losses are reported:

Gain (loss) on the disposal of capital assets	8,777
Proceeds from the sale of capital assets	(24,100)

Post employment benefits reported in governmental activities are not current financial resources, and therefore, are not reported in the Balance Sheet - governmental funds.	<u>(111,934)</u>
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Change in net assets of governmental activities	<u><u>\$ (745,282)</u></u>
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The accompanying notes are an integral part of this statement.

**CITY OF NEW ROADS, LOUISIANA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**December 31, 2011**

	Business-Type Activities - Enterprise Funds			
	Electric	Natural Gas	Water/Sewer	Total
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 82,678	\$ 4,535	\$ 30,179	\$ 117,392
Investments	1,962	-	-	1,962
Account receivables, net	701,783	91,637	55,263	848,683
Due from other funds	661,204	334,332	-	995,536
Prepaid expenses	5,141	1,447	5,581	12,169
Total current assets	1,452,768	431,951	91,023	1,975,742
Non-current Assets:				
Restricted Assets:				
Cash & cash equivalents	4,317,479	-	50,231	4,367,710
Investments	-	537,764	4,652	542,416
Deferred bond refunding cost	214,648	-	-	214,648
Capital assets, net of depreciation	3,796,683	527,019	7,316,538	11,640,240
Total noncurrent assets	8,328,810	1,064,783	7,371,421	16,765,014
Total assets	9,781,578	1,496,734	7,462,444	18,740,756
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued expenses	232,333	94,533	316,990	643,856
Due to other funds	31,405	98,762	400,453	530,620
Due to other governmental units	7,970	-	9,434	17,404
Current portion of long-term obligations	300,000	-	35,000	335,000
Utility deposits	344,317	-	-	344,317
Total current liabilities	916,025	193,295	761,877	1,871,197
Noncurrent Liabilities:				
Other post employment benefits payable	19,587	12,949	38,100	70,636
Non-current portion of long-term obligations	6,190,000	-	148,586	6,338,586
Total noncurrent liabilities	6,209,587	12,949	186,686	6,409,222
Total liabilities	7,125,612	206,244	948,563	8,280,419
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	(2,693,317)	527,019	7,132,952	4,966,654
Restricted for:				
Capital additions	223,262	537,764	19,783	780,809
Debt service	458,363	-	35,100	493,463
Unrestricted (deficit)	4,667,658	225,707	(673,954)	4,219,411
Total net assets	\$ 2,655,966	\$ 1,290,490	\$ 6,513,881	\$ 10,460,337

The accompanying notes are an integral part of this statement.

**CITY OF NEW ROADS, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
For the Year Ended December 31, 2011

	Electric Utility System	Natural Gas Utility System	Water & Sewer Utility Systems	Total Memo Only
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,178,295	\$ 1,100,482	\$ 1,072,975	\$ 6,351,752
Miscellaneous	-	-	-	-
Total operating revenues	4,178,295	1,100,482	1,072,975	6,351,752
<b>OPERATING EXPENSES</b>				
Personal services	183,360	44,915	112,212	340,487
Contracted services	17,983	22,373	70,869	111,225
Operating costs	2,981,101	705,978	81,372	3,768,451
Maintenance and supplies	67,321	24,204	170,003	261,528
Insurance	21,257	6,918	22,900	51,075
Utilities	2,099	3,318	64,886	70,303
Depreciation	238,933	17,419	381,514	637,866
Total operating expenses	3,512,054	825,125	903,756	5,240,935
Operating income (loss)	666,241	275,357	169,219	1,110,817
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Miscellaneous	79,034	22,779	84,462	186,275
Intergovernmental revenue	-	-	-	-
Bad debts recovered	11,061	-	-	11,061
Interest and fiscal charges	(186,259)	(17,336)	(73,998)	(277,593)
Gain (loss) on sale of fixed assets	-	-	-	-
Federal & state grant income	-	-	-	-
Bad debts written off	(43,397)	(13,334)	(21,266)	(77,997)
Total nonoperating revenues (expenses)	(139,561)	(7,891)	(10,802)	(158,254)
Income before operating transfers	526,680	267,466	158,417	952,563
<b>OPERATING TRANSFERS</b>				
Transfers in	-	-	525,963	525,963
Transfers out	(1,163,996)	(160,858)	(305,563)	(1,630,417)
Total operating transfers	(1,163,996)	(160,858)	220,400	(1,104,454)
<b>CHANGE IN NET ASSETS</b>	(637,316)	106,608	378,817	(151,891)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	3,293,282	1,183,882	6,135,064	10,612,228
<b>NET ASSETS AT END OF YEAR</b>	\$ 2,655,966	\$ 1,290,490	\$ 6,513,881	\$ 10,460,337

The accompanying notes are an integral part of this statement.

**CITY OF NEW ROADS, LOUISIANA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended December 31, 2011

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	ELECTRIC FUND	NATURAL GAS FUND	WATER/SEWER FUND	TOTAL
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 4,985,772	\$ 929,761	\$ 1,265,675	\$ 7,181,208
Payments to employees for services	(151,063)	(32,400)	(64,897)	(248,360)
Payments to suppliers of goods & services	(3,122,146)	(599,647)	52,854	(3,668,939)
Payments for quasi-external transactions	(100,000)	(120,000)	(80,000)	(300,000)
Payments for payroll taxes	(5,209)	(468)	(935)	(6,612)
Payments for employee benefits	(29,642)	(9,910)	(31,141)	(70,693)
Interest payments on revenue bonds/lease purchase	(186,259)	(17,336)	(73,998)	(277,593)
Net cash provided (used) by operating activities	1,391,453	150,000	1,067,558	2,609,011
<b>Cash flows from noncapital financing activities:</b>				
Transfers received for other than capital purposes	-	-	525,963	525,963
Transfers to other funds	(1,163,996)	(160,858)	(305,563)	(1,630,417)
Net cash provided (used) by noncapital financing activities	(1,163,996)	(160,858)	220,400	(1,104,454)
<b>Cash flows from capital and related financing activities:</b>				
Proceeds of borrowings for capital purposes	6,000,000	-	183,586	6,183,586
Principal repayments related to capital purposes	(2,872,154)	-	(1,430,000)	(4,302,154)
Payments related to the acquisition of capital asset	(103,206)	-	(682,828)	(786,034)
Issuance cost refunding bonds	(153,398)	-	63,438	(89,960)
Net cash provided (used) by capital and related financing activities	2,871,242	-	(1,865,804)	1,005,438
<b>Cash flows from investing activities:</b>				
Proceeds from the sale of investments	552,866	-	513,842	1,066,708
Purchase of investments	(198)	(10,094)	(169)	(10,461)
Net cash provided (used) by investing activities	552,668	(10,094)	513,673	1,056,247
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,651,367</b>	<b>(20,952)</b>	<b>(64,173)</b>	<b>3,566,242</b>
<b>Cash and cash equivalents at beginning of year</b>				
Unrestricted cash	14,494	25,487	99,522	139,503
Restricted cash	734,296	-	45,061	779,357
<b>TOTAL BEGINNING CASH</b>	<b>748,790</b>	<b>25,487</b>	<b>144,583</b>	<b>918,860</b>
<b>Cash and cash equivalents at end of year</b>				
Unrestricted cash	82,678	4,535	30,179	117,392
Restricted cash	4,317,479	-	50,231	4,367,710
<b>TOTAL ENDING CASH</b>	<b>\$ 4,400,157</b>	<b>\$ 4,535</b>	<b>\$ 80,410</b>	<b>\$ 4,485,102</b>

The accompanying notes are an integral part of this statement.

**CITY OF NEW ROADS, LOUISIANA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2011**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	ELECTRIC FUND	NATURAL GAS FUND	WATER/SEWER FUND	TOTAL
Operating income	\$ 526,680	\$ 267,466	\$ 158,417	\$ 952,563
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	238,933	17,419	381,514	637,866
Bad debt expense	43,397	13,334	21,266	77,997
Recognized but unrealized (gain)loss on investments	112	-	1,154	1,266
(Increase) decrease in accounts receivable	(195)	62,201	18,707	80,713
(Increase) decrease in due from other funds	674,068	(269,035)	67,111	472,144
(Increase) decrease in prepaid items	4,587	824	5,164	10,575
Increase (decrease) in accounts payable	7,429	(33,109)	8,532	(17,148)
Increase (decrease) in due to other funds	(101,003)	88,762	390,453	378,212
Increase (decrease) in accrued payables	(2,555)	2,138	15,240	14,823
Total adjustments	864,773	(117,466)	909,141	1,656,448
Net cash provided (used) by operating activities	1,391,453	150,000	1,067,558	2,609,011

The accompanying notes are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

**City of New Roads, Louisiana**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2011**

**INTRODUCTION**

The City of New Roads, Louisiana (City) was incorporated by a special act of the Louisiana Legislature in 1875 (Act No. 34). The City operates under an elected Mayor-Council form of government, serving approximately 4,831 residents, consisting of the mayor and 5 council members (see Note 24) each representing a separate district with one at large member. All are elected to four year terms. The City of New Roads is located approximately 30 miles north-east of Baton Rouge, Louisiana and provides the following services as authorized by its charter: public safety (police), highways and streets, sanitation and drainage, culture and recreation, public improvements, planning and zoning, and general administrative services. The City also provides electrical, gas, water, and sewer utility services to its residents and to portions of areas outside the City limits. The City employs approximately 45 workers.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements of the City have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements- and Management's Discussion and Analysis—for State and Local Governments*, issued in June 1999. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Audit Guide* and the industry audit guide, *Audit of States, Local Governments and Non-profit Organizations*, published by the American Institute of Certified Public Accountants.

**B. REPORTING ENTITY**

As the municipal governing authority, for reporting purposes, the City is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 (amended by GASB 39 & GASB 61) established criteria for determining which component units should be considered part of the City for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and:
  - a. the ability of the City to impose its will on that organization and/or
  - b. the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations for which the City does not appoint a voting majority, but are fiscally dependent on the City.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

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Considered in the determination of component units of the reporting entity were the Pointe Coupee Parish Police Jury, Sheriff, Clerk of Court, Assessor, and School Board, as well as the Judges of the Eighteenth Judicial District. It was determined that these governmental entities are not component units of the City reporting entity because they have separately elected governing bodies, are legally separate, and are fiscally independent of the City.

The following organization is a related organization, which has not been included in the reporting entity:

1. Joint venture between the Parish of Pointe Coupee, Louisiana and the City of New Roads, Louisiana in which the financial statements are presented in the financial statements of the Parish-

False River Air Park Commission

### **C. FUND ACCOUNTING**

The municipality uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions and activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds of the municipality are classified into two categories: governmental and proprietary. In turn each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

#### **GOVERNMENTAL FUNDS**

Governmental funds are used to account for all or most of the municipality's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

**GENERAL FUND** - the general operating fund of the municipality and accounts for all financial resources, except those required to be accounted for in other funds. Revenues are derived primarily from property and other local taxes, state and federal grants, licenses, permits, charges for services, and interest income.

**SPECIAL REVENUE FUNDS** - account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The HUD- Section 8 special revenue fund is considered a non-major fund for reporting purposes.

**DEBT SERVICE FUNDS** - account for transactions relating to resources retained and used for the payment of principal and interest on those long-term obligations incurred through the general government operations.

#### **PROPRIETARY FUNDS**

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

**ENTERPRISE FUNDS** - account for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**City of New Roads, Louisiana**  
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**D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

**Government-Wide Financial Statements (GWFS)**

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. These statements include all the financial activities, both governmental and business, of the City. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

**Program Revenues** – Program revenues included in the Statement of Activities are derived directly from users as a fee for services; program revenues reduce the cost of the function to be financed from the City's general revenues.

**Fund Financial Statements (FFS)**

The amounts reflected in the Governmental funds of the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the city's operations (See the reconciliation statements).

The amounts reflected in the Governmental funds in the FFS use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The city considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues and other governmental fund financial resource increments are recognized in the accounting period when they become susceptible to accrual which is when they become both "measurable" and "available" to finance expenditures of the fiscal period.

Taxpayer-assessed sales taxes are considered "measurable" when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Utility and franchise taxes, licenses and permits, fines and forfeitures, charges for services and miscellaneous revenue (except investment earnings) are recorded as revenue when cash is received because they generally are not measurable until actually received. Investment earnings are recorded as earned when they are measurable and available. Where grant revenue is dependent upon expenditures by the City, revenue is recognized when the related expenditures are incurred.

Property tax revenues are recognized when they become available. Available means when due, or past due and receivable, and collected generally within 60 days after year end.

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Expenditures are recognized under the accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long-term debt which are recognized when due in the Debt Service Fund.

Transfers between funds that are not expected to be repaid (and any other financing source/use) are accounted for as other financing sources (uses).

All Proprietary Funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred.

GASB Statement Number 20 provides guidance on accounting and financial reporting for proprietary fund types and allows proprietary fund types to choose one of two options in applying pronouncements issued by the Financial Accounting Standards Board (FASB) as of November 30, 1989. The City of New Roads has elected to use the first option for reporting its activities. This approach applies all GASB pronouncements and FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Changes to FASB statements and interpretations, APB opinions and ARBs issued after November 30, 1989, would not apply unless adopted by GASB. GASB Statement Number 20 was superseded by GASB Statement Number 62 thereby eliminating the election referred to above due to the fact that FASB pronouncements were incorporated into GASB authoritative literature, effective for financial statements for periods beginning after December 15, 2011.

The revenue of Electric, Gas, Water, and Sewer systems, which is based upon rates authorized by the governing boards, is determined by billings to customer. Earned but unbilled revenue is accrued and reported in the financial statements.

**E. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

**F. INVESTMENTS**

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the municipality's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less they are classified as cash equivalents. GASB Statement No. 31, allows the City to report at amortized cost money market investments and participating interest-bearing investment contracts that have a remaining maturity at time of purchase of one year or less, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations. Interest earning investment contracts include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts. Investments of the City are reported at fair market value which approximates cost. (see note 4).

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**G. RECEIVABLES/PAYABLES**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of inter-fund loans) or "advances to/from other funds" (non-current portion of inter-fund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**H. INVENTORIES**

Inventories for supplies are considered immaterial and are recorded as expenditures or expenses when purchased.

**I. PREPAID ITEMS**

The City records prepaid assets for any significant expenditure that can be allocable to future periods in both the government-wide and fund financial statements.

**J. RESTRICTED NET ASSETS**

For government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

- 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; and
- 2) imposed by law through constitutional provisions or enabling legislation.

The City at its own discretion has also restricted certain funds to be spent for specific purposes. See subsequent paragraphs to this note for the further explanations of restrictions of fund equity.

**K. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All capital assets, other than land, are depreciated using the straight line method over the following useful lives:

Roads and infrastructure	20-50 Years
Buildings	40 Years
Land Improvements	20 Years
Machinery & equipment	5-20 Years
Furniture & fixtures	5-10 Years
Vehicles	5 Years

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**L. OTHER POSTEMPLOYMENT BENEFITS**

In November 2004, GASB issued Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." This statement requires the accrual of other postemployment benefits for retired employees. The City has recorded a liability for other post-employment benefits beginning December 31, 2009 (See note 9).

In the government-wide financial statements, the other postemployment benefits liability is recorded as an expense and non-current liability and allocated on a functional basis. In the fund financial statements, other post employment benefit expenditures are recognized in the amount contributed to the plan or expected to be liquidated with expendable available financial resources. Expendable available financial resources generally refer to other postemployment benefit payments due and payable as of the end of the year.

**M. COMPENSATED ABSENCES**

Employees earn vacation in varying amounts according to years of service and vacation days are non-cumulative. Only with the Mayor's approval can vacation time be carried over to the next year. At December 31, 2011 no vacation time was approved by the Mayor to be carried over. Vacation time off is paid at the employee's base pay rate.

Vacation Earning Schedule  
(Based on 8 hour days)

after 1 year of service	5 days
after 2 years of service	10 days
after 10 years of service	15 days
after 15 years of service	20 days

Employees earn 10 hours of sick leave per month beginning with the first day of employment. Sick leave can accumulate up to 1320 hours. Upon separation, retirement, or layoff with good cause employees have the option to accept a payout not to exceed a maximum of 264 hours and convert the remaining amount to the retirement system or to convert the total hours to the retirement system.

**N. LONG-TERM OBLIGATIONS**

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**O. FUND EQUITY**

Beginning with the fiscal year ending December, 2011, the City has adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This statement establishes criteria for

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classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The following describes the different classifications available for fund balances of governmental funds:

*Nonspendable* – amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

*Restricted* – amounts for which constraints have been externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or amounts that are imposed by law through constitutional provisions or enabling legislation.

*Committed* – amounts that can be used only for specific purposes determined by formal action of the City Council, who is the highest level of decision-making authority for the City of New Roads. Commitments cannot be used for any other purpose unless the same action that established them decides to modify or remove them.

*Assigned* – amounts that do not meet the criteria to be classified as either restricted or committed but are intended to be used for specific purposes. Amounts can only be assigned by the City Council or by a body or individual designated for that purpose.

*Unassigned* – the residual fund balance in the general fund.

When fund balance resources are available for a specific purpose, the City considers the most restrictive funds to be used first. However, the City reserves the right to spend unassigned resources first and to defer the use of more restrictive funds.

**P. INTERFUND TRANSACTIONS**

Permanent re-allocation of resources between funds of the reporting entity is classified as inter-fund transfers. For the purposes of the statement of activities, all inter-fund transfers between individual governmental and business-type funds have been eliminated.

**Q. SALES TAXES**

The City receives a one per cent (1%) sales and use tax. The sales tax ordinance requires that the avails of the City's sales tax be used for the purpose of constructing, acquiring, extending, improving and/or maintaining street and sidewalks (including widening, surfacing, repairing and street lighting), waterworks (including water supply, treatment, storage, and distribution), drainage facilities, sewerage facilities, public buildings, and/or fire department stations and any work or permanent public improvement, including equipment and furnishings therefore, title to which shall be in public; or for any one of more such purposes, or for any other lawful corporate purposes.

**R. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

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Notes to the Financial Statements**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

The City uses the following budget practices for the General Fund and Special Revenue Fund.

1. The proposed budget for fiscal year December 31, 2011 was made available for public inspection in accordance with RS 39:1306 beginning on November 30, 2010. The proposed budget was published in the official journal in accordance with RS 39:1306 on December 2, 2010. The public hearing was held in accordance with RS 39:1306 on December 21, 2010. The budget is legally adopted and amended, as necessary.
2. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.
3. Budgets are adopted on a GAAP basis.
4. Budget amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated requires the approval of the City Council. Amendments were made to the original budget for the year ending December 31, 2011 and are reflected in the budget comparisons.

The on-behalf payments (see note 18) received and paid by the State of Louisiana is not budgeted or reflected in the Budgetary Comparison Schedule- General Fund. The net effect of reflecting the receipt and payment of salaries and benefits on-behalf is zero. A reconciliation of total revenues and expenditures for the General Fund follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>
Actual – Page 17	\$ 3,134,657	\$ 4,854,331
On-Behalf Payments	105,634	105,634
Budget – Page 51	3,029,023	4,748,697

**B. DEPOSITS AND INVESTMENT LAWS AND REGULATIONS**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. As reflected in Note 4 regarding cash and cash equivalents, the City was in compliance with the deposits and investment laws and regulations.

**C. DEFICIT FUND EQUITY**

As of December 31, 2011, no City funds had deficit fund equities.

**D. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The following fund had actual expenditures over budgeted appropriations for the year ended December 31, 2011.

<u>Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	\$ 4,296,054	\$ 4,584,245	\$ 4,748,698	\$ 164,453

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**E. COMPLIANCE WITH BOND AND CERTIFICATE OF INDEBTEDNESS COVENANTS**

**1. Compliance with Electric and Water/Sewer Revenue Bonds**

As of December 31, 2011, the City was in compliance with all revenue bond covenants. See Note 12 for a further discussion of these covenants.

**NOTE 3 - LEVIED TAXES**

The following is a summary of authorized and levied ad valorem taxes for the year:

	<u>Authorized Millage</u>	<u>Levied Millage</u>
Citywide taxes:		
General Alimony – General Fund	5.94	5.94

The following are the principal taxpayers for the city:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed</u>	<u>Amount Assessed</u>
Peoples Bank	Financial	\$ 1,223,770	2.93%	\$ 7,269
Regions Bank	Financial	1,103,280	2.64%	6,553
La. Generating	Electric	795,950	1.91%	4,728
P.C. Electric	Electric	784,320	1.88%	4,659
Guaranty Bank	Financial	707,710	1.70%	4,204
		<u>\$ 4,615,030</u>	<u>11.06%</u>	<u>\$ 27,413</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**A. Cash and Cash Equivalents**

Cash and Cash equivalents include bank accounts and short-term investments. See Note 1(E) for additional cash disclosure note information.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure the City's deposits may not be returned. Deposits are exposed to custodial credit risk if they are either (a) uninsured and uncollateralized, or (b) uninsured and collateralized with securities held by the pledging financial institution or its trust department/agent but not in the name of the City. The City's cash and investment policy, as well as state law, require that deposits be fully secured by federal deposit insurance or the pledge of securities owned by the bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the bank. The following chart represents bank balances for the City as of December 31, 2011. Deposits are listed in terms of whether they are exposed to custodial credit risk.

**Bank Balances**

	<u>Uninsured &amp; Uncollateralized</u>	<u>Uninsured &amp; Collateralized with Securities Held by Pledging Institution or It's Trust Department/Agent But Not in the Entity's Name</u>	<u>Total Bank Balances – All Deposits</u>	<u>Total Carrying Value – All Deposits</u>
Cash and Cash Equivalents	\$ -	\$ -	\$ 4,853,342	\$ 4,741,095

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Total bank balances do not include petty cash amounts on hand of \$960 at year end.

**B. Investments**

Investments are stated at fair value. See also Note 1 (F) for additional investment disclosure information.

**Credit Risk - Investments**

Investments permitted by state statute include obligations issued, insured or guaranteed by the U.S. government including certificates or other ownership interest in such obligations and/or investments in registered mutual or trust funds consisting solely of U.S. government securities. The City's investment program is limited to purchases of bank certificate of deposits, U.S. treasury and government agency obligations as well as investments in the Louisiana Asset Management Pool, Inc. (LAMP). LAMP is a nonprofit corporation formed by an initiative of the State Treasurer, and organized under the laws of the State of Louisiana which operates a local government investment pool. It is the City's opinion that since these securities are governmental agencies, credit risk is not a factor.

**Custodial Credit Risk - Investments**

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the investment. Investments are exposed to custodial risk if the securities are (a) uninsured and unregistered and held by the counterparty or (b) uninsured, unregistered and held by the counterparty's trust department or agent but not in the name of the City. The following chart presents the investment position of the City as of December 31, 2011. The various types of investments are listed and presented by whether they are exposed to custodial credit risk.

<u><b>Investments</b></u>				
	Uninsured, Unregistered, And Held by the Counterparty	Uninsured, Unregistered & Held by the Counterparty's Trust Department or Agent But Not in the Entity's Name	All Investments – Reported Amount	All Investments – Fair Value
Investments Not Categorized:				
LAMP	\$ -	\$ -	\$ 1,135,040	\$ 1,135,040
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,135,040</b>	<b>\$ 1,135,040</b>

**Interest Rate Risk - Investments**

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of investments. Investments can be highly sensitive to changes in interest rates due to their terms or characteristics. The City's investment policy with regards to interest rate risk is to match cash flow requirements with cash flows from investments. This matching allows for securities to be held to maturity thereby avoiding realizing losses due to liquidation of securities prior to maturity, especially in a rising interest rate environment. Investing in longer term maturities that contain a "step up" in coupon interest rates will also contribute to the reduction of interest rate risk. Investments classified by maturity dates at December 31, 2011 are summarized below:

**City of New Roads, Louisiana**  
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	<u>Fair Value</u>	<u>0-1 Years Before Maturity</u>	<u>1-5 Years Before Maturity</u>	<u>6+ Years Before Maturity</u>
LAMP	\$ 1,135,040	\$ 1,135,040	\$ -	\$ -
Total	\$ 1,135,040	\$ 1,135,040	\$ -	\$ -

**NOTE 5 - ACCOUNTS AND INTERGOVERNMENTAL RECEIVABLES**

The following is a summary of receivables at December 31, 2011.

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Special Rev. Fund</u>	<u>Enterprise Fund</u>
Intergovernmental			
Ad valorem	\$ 236,534	\$ -0-	\$ -0-
Federal	22,504	-0-	147,431
State	29,635	-0-	-0-
Local	13,926	-0-	-0-
Accounts	77,684	-0-	701,252
Total	\$ 380,283	\$ -0-	\$ 848,683

The City uses the allowance method whereby uncollectible amounts due from customers' utility receivables are recognized as bad debts through the use of an allowance account or are charged off at the time information becomes available which indicates the particular receivable is not collectible. An allowance for doubtful accounts charge of approximately \$30,160 was recorded at December 31, 2011.

**NOTE 6 - CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended December 31, 2011 are as follows:

<b>Governmental activities:</b>	<u>Balance January 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2011</u>
Capital assets not depreciated:				
Land	\$ 702,332	\$ 3,500	\$ -0-	\$ 705,832
Capital assets being depreciated:				
Land Improvements	1,141,986	-0-	-0-	1,141,986
Construction in Progress	-0-	38,818	-0-	38,818
Infrastructure	11,878,941	-0-	-0-	11,878,941
Buildings	2,258,589	-0-	-0-	2,258,589
Equipment	649,862	40,358	-0-	690,220
Furniture & Fixtures	382,639	7,031	895	388,775
Transportation Equipment	447,890	214,065	25,538	636,417
Totals being depreciated	16,759,907	300,272	26,433	17,033,746

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	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
Less accumulated depreciation:				
Land Improvements	607,348	53,090	-0-	660,438
Infrastructure	11,166,717	49,669	-0-	11,216,386
Buildings	1,098,136	56,480	-0-	1,154,616
Equipment	403,541	68,377	-0-	471,918
Furniture & Fixtures	279,902	45,506	895	324,513
Transportation Equipment	353,243	61,174	10,215	404,202
Totals	<u>\$ 13,908,887</u>	<u>\$ 334,296</u>	<u>\$ 11,110</u>	<u>\$ 14,232,073</u>
Capital assets, net of accumulated depreciation	<u>\$ 3,553,352</u>	<u>\$ (30,524)</u>	<u>\$ 15,323</u>	<u>\$ 3,507,505</u>

Depreciation expense of \$334,296 for the year ended December 31, 2011, was charged to the general government function.

**Proprietary activities:**

A summary of proprietary property, plant, and equipment follows. Depreciation expense for the year ended December 31, 2011 was \$637,866.

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
Land	\$ 65,895	\$ -0-	\$ -0-	\$ 65,895
Buildings	73,293	-0-	-0-	73,293
Improvements other than Building	22,012,343	839,550	-0-	22,851,893
Construction in Progress	1,738,438	225,237	281,832	1,681,843
Furniture & Fixtures	53,869	-0-	-0-	53,869
Transportation Equipment	430,619	-0-	-0-	430,619
Distribution	243,457	-0-	-0-	243,457
Equipment	157,333	3,080	-0-	160,413
Totals	24,775,247	1,067,867	281,832	25,561,282
Less accumulated depreciation	13,283,176	637,866	-0-	13,921,042
Net Fixed Assets	<u>\$ 11,492,071</u>	<u>\$ 430,001</u>	<u>\$ 281,832</u>	<u>\$ 11,640,240</u>

Construction commitments for projects in progress are estimated to cost an additional \$960,454.

**NOTE 7 - COMPENSATED ABSENCES**

At December 31, 2011, employees of the City have accumulated and vested \$143,215 of employee leave benefits, which was computed in accordance with GASB Codification C60. Of this amount, \$127,516 is recorded as an obligation of the General Fund and \$15,699 is an obligation of the proprietary funds.

**City of New Roads, Louisiana  
Notes to the Financial Statements**

**NOTE 8 - PENSION PLAN**

Substantially all employees of the City are members of either the Municipal Employees Retirement System of Louisiana or the Municipal Police Employees Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

**A. Municipal Employees' Retirement System of Louisiana**

*Plan Description.* The System is composed of two distinct plans. Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan A. All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System.

Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

*Funding Policy.* Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 14.25% (16.75% as of July 1, 2011) of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System under Plan A for the years ending December 31, 2011, 2010, and 2009, were \$147,669, \$147,984, and \$156,468, respectively, equal to the required contributions for each year.

**B. Municipal Police Employees' Retirement System of Louisiana**

*Plan Description.* All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial

**City of New Roads, Louisiana  
Notes to the Financial Statements**

report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

**Funding Policy.** Plan members are required by state statute to contribute 7.5% (10.0% as of July, 1, 2011) of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 25.0% (26.5% as of July 1, 2011) of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System for the years ending December 31, 2011, 2010, and 2009, were \$155,161, \$113,313, and \$63,831, respectively, equal to the required contributions for each year.

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description.** The City of New Roads' medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

The employees are covered by a retirement system whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service. Complete plan provisions are included in the official plan documents.

**Contribution Rates.** Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

**Fund Policy.** Until 2009, the City of New Roads recognized the cost of providing post-employment medical benefits (the City of New Roads' portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2011, the City's portion of health care funding cost for retired employees totaled \$83,297.

Effective January 1, 2009, the City of New Roads implemented Governmental Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). This amount was applied toward the net OPEB benefit obligation as shown in the following table.

**Annual Required Contribution.** The City of New Roads' Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	Governmental Activities	Medical Business Type Activities	Total
Normal Cost	\$ 60,441	\$ 13,410	\$ 73,851
30-year UAL amortization amount	120,664	30,041	150,705
Annual required contribution (ARC)	\$ 181,105	\$ 43,451	\$ 224,556

**City of New Roads, Louisiana**  
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**Net Post-employment Benefit Obligation (Asset).** The table below shows the City of New Roads' Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending December 31, 2011:

		Medical	
	Governmental Activities	Business Type Activities	Total
Beginning Net OPEB Obligation (Asset)	\$ 208,869	\$ 45,853	\$ 254,722
Annual required contribution	181,105	43,451	224,556
Interest on Net OPEB Obligation (Asset)	8,355	1,834	10,189
ARC Adjustment	(12,079)	(2,652)	(14,731)
OPEB Cost	177,381	42,633	220,014
Contribution	-0-	-0-	-0-
Current year retiree premium	(65,447)	(17,850)	(83,297)
Change in Net OPEB Obligation	111,934	24,783	136,717
Ending Net OPEB Obligation (Asset)	\$ 320,803	\$ 70,636	\$ 391,439

The following table shows the City of New Roads' annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability (asset) for last year and this year:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Liability (Asset)
December 31, 2010	\$ 213,701	38.98%	\$ 254,722
December 31, 2011	220,014	37.86%	391,439

**Funded Status and Funding Progress.** In 2011, the City of New Roads made no contributions to its post employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the January 1, 2009 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year December 31, 2011, was \$2,710,331, which is defined as that portion, as determined by a particular actuarial cost method (the City of New Roads uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

	Medical		
	Governmental Activities	Business Type Activities	Total
Actuarial Accrued Liability (AAL)	\$ 2,197,566	\$ 512,765	\$ 2,710,331
Actuarial Value of Plan Assets	-0-	-0-	-0-
Unfunded Act. Accrued Liability(UAAL)	2,197,566	512,765	2,710,331
Funded Ratio (Act. Val. Assets/AAL)	0%	0%	0%
Covered Payroll (active plan members)	1,355,337	237,623	1,592,960
UAAL as a percentage of covered payroll	162.15%	215.79%	170.15%

**Actuarial Methods and Assumptions.** Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**City of New Roads, Louisiana**  
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The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of New Roads and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of New Roads and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City of New Roads and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

**Actuarial Cost Method.** The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

**Actuarial Value of Plan Assets.** There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45 will be used.

**Turnover Rate.** An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 10%. It has also been assumed, based on past experience, that 5% of future eligible retirees will decline coverage.

**Post employment Benefit Plan Eligibility Requirements.** Based on past experience, it has been assumed that entitlement to benefits will commence three years after the earliest retirement (D.R.O.P. entry) eligibility. The three years consists of the three year D.R.O.P. period. Medical benefits are provided to employees upon actual retirement. The employees are covered by a retirement system whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service. Entitlement to benefits continues through Medicare to death.

**Investment Return Assumption (Discount Rate).** GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

**Health Care Cost Trend Rate.** The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration ([www.cms.hhs.gov](http://www.cms.hhs.gov)). "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

**Mortality Rate.** The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

**Method of Determining Value of Benefits.** The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The City pays 80% of the retiree premium (the blended active/retired rate) before Medicare eligibility, and also pays 80% of the unblended premium after the retiree's eligibility for Medicare (age 65), except for seventeen

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"grandfathered" retirees over age 65 for whom the employer pays 100% of the unblended premium. The employer pays for the retiree only, not for dependents. Since GASB 45 mandates that "unblended" rates applicable to the coverage provided to retirees be used, we have estimated the "unblended" rates for retirees before Medicare eligibility. It has been assumed that the total retiree rate before Medicare eligibility is 130% of the blended active/retired rate.

**Inflation Rate.** Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

**Projected Salary Increases.** This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

**Post-retirement Benefit Increases.** The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

Below is a summary of OPEB cost and contributions for the last three fiscal years.

	OPEB Costs and Contributions		
	FY 2009	FY 2010	FY 2011
OPEB Cost	\$ 207,614	\$ 213,702	\$ 220,014
Contribution	-0-	-0-	-0-
Retiree premium	83,297	83,297	83,297
Total contribution and premium	83,297	83,297	83,297
Change in net OPEB obligation	\$ 124,317	\$ 130,405	\$ 136,717
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	40.12%	38.98%	37.86%

**NOTE 10 - ACCOUNTS, SALARIES AND OTHER PAYABLES**

The payables of \$1,050,993 at December 31, 2011, are as follows:

<u>Class of Payable</u>	<u>General Fund</u>	<u>Proprietary Funds</u>
Salaries & Withholdings	\$ 71,156	\$ 7,965
Accounts	208,465	620,192
Other	127,516	15,699
Total	\$ 407,137	\$ 643,856

**NOTE 11 - LEASES**

The City records items under capital leases as an asset and an obligation in the accompanying financial statements. The City entered into a capital lease during a prior year for the purchase of an automated meter reading system and equipment. Purchase of the equipment has been completed with installation of the meters substantially completed but not yet finalized. Total funds drawn on the lease agreement in the amount of \$1,500,000 was applied to the purchase of the system. During the current year, the city paid off the capital lease through refinancing of all of their outstanding debt. See note 12 for additional information regarding the refinancing of the City's debt.

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The City also has an operating lease of the following nature:

In March 1952, the City entered into a 99-year lease agreement with St. Mary's Roman Catholic Church of False River to supply its utilities in exchange for the use of land on which part of the City Hall now stands. In August, 1980, a decree was passed which limited the amount of utilities the church could obtain for the use of the land. The value of the operating lease payments remaining on all leases is as follows:

<u>Year Ending 12/31</u>	<u>St. Mary's</u>
2012	\$ 30,105
2013	30,105
2014	30,105
2015	30,105
2016	30,105
2017-2051	<u>1,035,134</u>
	<u>\$ 1,185,659</u>

**NOTE 12 - CHANGES IN GENERAL LONG-TERM OBLIGATIONS**

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2011:

	<u>Bonded Debt</u>	<u>Capital Leases</u>	<u>Total</u>
Long-term obligations payable at December 31, 2010	\$ 3,335,000	\$ 1,457,154	\$ 4,792,154
Additions	6,183,586	-0-	6,183,586
Deductions	<u>2,845,000</u>	<u>1,457,154</u>	<u>4,302,154</u>
Long-term obligations payable at December 31, 2011	6,673,586	-0-	6,673,586
Less current portion	<u>335,000</u>	<u>-0-</u>	<u>335,000</u>
Net long-term obligations	<u>\$ 6,338,586</u>	<u>\$ -0-</u>	<u>\$ 6,338,586</u>

Revenue bonds and certificates of indebtedness are comprised of the following individual issues:

**Revenue Bonds:**

Electric System Upgrade:

\$6,000,000 2011 Utility Revenue Refunding Bonds due in semi-annual interest and annual principal installments of amounts from \$210,000 to \$425,000 with interest rates of 4.00% due through July 1, 2031. The Electric Utility System fund is used to retire these issues.

\$ 6,000,000

\$750,000 2007 Electric System Revenue Bonds due in semi-annual interest and annual principal installments of amounts from \$65,000 to \$ 90,000 with interest rates of 4.10% due through July 1, 2017. The Electric Utility System fund is used to retire these issues.

\$ 490,000

Water/Sewer System Upgrade:

\$1,000,000 2011 Utilities Revenue Bonds due in semi-annual interest and annual principal installments of amounts from \$35,000 to \$55,000, with interest rates of .95% due through July 1, 2031. The Water and Sewer Utilities fund is used to retire these issues.

\$ 183,586

**City of New Roads, Louisiana**  
**Notes to the Financial Statements**

At December 31, 2011, the municipality has accumulated and designated \$493,463 in the proprietary funds for future debt requirements. The annual requirements to amortize all bonds outstanding at December 31, 2011, including interest payments of \$2,764,131 are as follows:

**ANNUAL REQUIREMENTS TO AMORTIZE LONG-TERM DEBT**

<u>Year Ending 12/31</u>	<u>Electric Revenue Bonds</u>	<u>Water/Sewer Revenue Bond</u>	<u>Total</u>
2012	\$ 554,053	\$ 35,747	\$ 589,800
2013	527,278	30,601	557,879
2014	525,600	30,466	556,066
2015	528,417	30,331	558,748
2016	525,733	30,196	555,929
Thereafter	6,590,645	28,650	6,619,295
	<u>\$ 9,251,726</u>	<u>\$ 185,992</u>	<u>\$ 9,437,717</u>

Revenue Bonds:

On March 6, 2007, the City issued \$750,000 of Electric System Revenue Bonds (parity bonds), the proceeds of which were used for the purpose of constructing and acquiring improvements to the system. These bonds were issued in varying denominations from \$60,000 to \$90,000 bearing interest payable on January and July 1, of each year at a rate of 4.10%, and mature on July 1 of each year beginning July 1, 2008, with the final installment due July 1, 2017. These bonds are secured by and payable in principal and interest solely from the income and revenues earned from the electric system.

On August 29, 2011, the City issued \$6,000,000 of Utility Revenue Refunding Bonds, Series 2011 to provide debt service reduction, to refund a portion of its Series 2001 Electric System Revenue Refunding Bonds (\$1,180,000), refund a portion of its Series 2001 Water & Sewer Revenue Refunding Bonds (\$1,255,000), refund a portion of its 2009 Water Meter Project lease (\$1,423,469), and acquire, upgrade, expand and construct City owned public improvements. These bonds were issued in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. They bear interest payable on January and July 1, of each year at rates of 4.00% and mature on July 1, of each year beginning July 1, 2012, with the final installment due on July 1, 2031. These bonds are secured by and payable in principal and interest from all excess revenues of the City. The bond resolutions require that the City will establish and maintain utility rates and fees so that the system will provide sufficient revenues to pay the normal operating expenses of the system, the annual debt payment, and the reserves and/or sinking funds required by bond agreement. The bond resolution required the establishment of the following accounts:

**Electric System Revenue Fund, Water System Revenue Fund, and Gas System Revenue Fund -**

The City is required to deposit daily into these funds the income and revenues earned from the operation of the utility system. This account is used to pay for the reasonable and necessary expenses of the system and fund the reserves required by the bond agreements.

**2007 Electric System Revenue Bond Sinking Fund -**

This fund is to be used to pay the next required installment of interest and principal for the 2007 Electric System Revenue Bonds. The City is required to make monthly deposits by the 20th of each month, beginning July 1, 2007, equal to 1/6th of the next interest installment and 1/12th of the next principal installment.

**2011 Utility Revenue Refunding Bond Sinking Fund -**

This fund is to be used to pay the next required installment of interest and principal for the 2011 Utility System Revenue Bonds. The City is required to make monthly deposits by the 20th of each month, beginning September 1, 2011, equal to 1/6th of the next interest installment and 1/12th of the next principal installment.

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**2007 Electric System Revenue Bond Debt Service Fund -**

This fund is to be used solely for the purpose of paying the principal and interest on the 2007 bonds payable from the Sinking Fund, if they should otherwise go into default. It is required to be funded in an amount equal to the highest combined principal and interest requirement for any succeeding sinking fund year. The Reserve Fund was initially funded with \$237,094 from the 2001 bond issuance proceeds. Monies in the reserve fund must be invested in Government Securities, maturing in five years or less from the date of investment.

**2007 Electric System Capital Additions and Contingencies Fund -**

The City is to deposit into this account by the 20th of each month, 5% of the gross revenues of the system for the preceding month. The funding must continue until \$200,000 has been accumulated in the account. These monies may be used to care for extensions, additions, improvements, renewals, and replacements necessary to properly operate the system. They may also be used to pay principal and interest on the bonds if there are insufficient funds in the Sinking or Reserve funds; however, the fund may not be depleted for the above uses to less than \$5,000. If the balance is reduced below \$200,000, funding shall be resumed until the maximum is again accumulated.

**2011 Excess Revenue Fund-**

The City is to deposit into this account excess revenues which shall maintain a minimum balance of \$500,000 during the life of the 2011 bonds.

**Water / Sewer System Revenue Bonds:**

On February 15, 2011, the City issued \$1,000,000 of Utilities Revenue Bonds, Series 2011, the bond to be purchased by the Louisiana Department of Environmental Quality in order to grant the City a loan from the Municipal Facilities Revolving Loan Fund for the purpose of constructing, acquiring, extending and/or improving the sewer portion of the combined water treatment and distribution system and sewerage collection, treatment, and disposal system. The amount and dates of the principal installment of the bonds shall be determined as of the date of delivery of the bonds in integral multiples of \$1,000 or \$5,000, so that the combined annual principal, interest and administrative fee on the bonds from and after the scheduled project completion date shall be approximately equal. If the full amount of the bond issuance is not purchased, then upon final payment of the loan, the schedule of principal payments shall be recalculated so that the actual amount of principal, interest and administrative fee due each bond year are approximately equal. The bond bears interest, payable on January and July 1 of each year, at a rate of .95% and matures on July 1 of each year beginning July 1, 2012, with the final installment due on July 1, 2031. These bonds are secured by and payable in principal and interest solely from the income and revenues earned from the water/sewer system. The bond resolution requires that the City will establish and maintain water and sewer rates and fees so that the system will provide sufficient revenues to pay the normal operating expenses of the system, the annual debt payments, and fund the reserves and/or sinking funds required by the bond agreement. The bond resolution required the establishment of the following accounts:

**Water and Sewer System Revenue Fund -**

The City is required to deposit daily into this fund the income and revenues earned from the operation of the water and sewer system. This account is used to pay for the reasonable and necessary expenses of the system and fund the reserves required by the bond agreement.

**Water and Sewer System Revenue Bonds Sinking Fund -**

This fund is to be used to pay the next required installment of interest and principal. The City is required to make monthly deposits by the 20th of each month, beginning in March 2011, equal to 1/6th of the next interest installment and 1/12th of the next principal installment.

**Water and Sewer Revenue Bond Debt Service Fund -**

This fund is to be used solely for the purpose of paying the principal and interest on the bonds payable for the Sinking Fund, if they should otherwise go into default. It is required to be funded

**City of New Roads, Louisiana**  
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in an amount equal to the highest combined principal and interest requirement for any succeeding sinking fund year. The Reserve Fund was initially funded with \$251,348 from the 2001 bond issuance proceeds. Monies in the reserve fund must be invested in Government Securities, maturing in five years or less from the date of investment.

**Water and Sewer System Capital Additions and Contingencies Fund -**

The City is to deposit into this account by the 20th of each month, 5% of the gross revenues of the system for the preceding month. The funding must continue until \$200,000 has been accumulated in the account. These monies may be used to care for extensions, additions, improvements, renewals, and replacements necessary to properly operate the systems. They may also be used to pay principal and interest on the bonds if there are insufficient funds in the Sinking or Reserve funds, however, the fund may not be depleted for the above uses to less than \$5,000. If this balance is reduced below \$200,000, funding shall be resumed until the maximum is again accumulated.

**NOTE 13 - INTERFUND RECEIVABLES/PAYABLES**

The following is a summary of inter-fund receivable and payable balances at December 31, 2011:

	Due From Other Funds	Due To Other Funds
<b>Enterprise Funds -</b>		
Electric Utility System:		
General Fund	\$ 430,130	\$ 31,405
Gas Utility System	93,196	-0-
Water/Sewer Utility System	137,878	-0-
Gas Utility System:		
General Fund	224,332	5,566
Electric Utility System	-0-	93,196
Water/Sewer Utility System	110,000	-0-
Water/Sewer Utility System:		
General Fund	-0-	152,575
Electric Utility System	-0-	137,878
Gas Utility System	-0-	110,000
<b>General Fund -</b>		
Electric Utility System	31,405	430,130
Gas Utility System	5,566	224,332
Water/Sewer Utility System	152,575	-0-
<b>Totals</b>	<u>\$ 1,185,082</u>	<u>\$ 1,185,082</u>

**NOTE 14 - INTERGOVERNMENTAL PAYABLE**

The following is a summary of the intergovernmental payable due other governments at December 31, 2011:

<u>Payable to:</u>	General Fund	Proprietary Funds
Pointe Coupee Police Jury	\$ 2,090	\$ -0-
Pointe Coupee Sewer District #1	-0-	6,137
La. Department of Revenue	-0-	1,833
La. Department of Health & Hospitals	-0-	9,434
<b>Totals</b>	<u>\$ 2,090</u>	<u>\$ 17,404</u>

**City of New Roads, Louisiana**  
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**NOTE 15 - INTERFUND TRANSFERS**

The following is a summary of interfund transfers which occurred during the year ended December 31, 2011. The transfers were made from the proprietary fund in order to help fund additional governmental activities.

	Transfer In From	Transfer Out To
<b>General Fund –</b>		
Electric Utility System	\$ 638,033	\$ -0-
Gas Utility System	160,858	-0-
Water/Sewer Utility System	305,563	-0-
<b>Enterprise Funds –</b>		
Electric Utility System:		
General Fund	-0-	\$ 638,033
Water/Sewer Utility System	-0-	525,963
Gas Utility System:		
General Fund	-0-	160,858
Water/Sewer Utility System:		
General Fund	-0-	305,563
Electric Utility System	525,963	-0-
<b>Totals</b>	<b>\$ 1,630,417</b>	<b>\$ 1,630,417</b>

**NOTE 16 - RESTRICTED AND NONSPENDABLE NET ASSETS/FUND BALANCES**

**Proprietary Funds:**

Unrestricted net assets for proprietary funds represent the net assets available for future operations or distributions.

Restrictions of net assets of enterprise funds are created by increases in assets restricted for a certain use. These increases result from earnings on restricted assets and other interfund transfers to restricted accounts. Earnings on restricted assets are included in net income of the Enterprise Funds. When restricted net assets are increased there is an equal reduction to the portion of net assets that is unrestricted. Specific restrictions of net assets are described below:

Restricted for Bond indentures - This represents the amounts required to be held in the sinking and reserve accounts in accordance with the bond agreements for the \$6,000,000 utility revenue refunding bonds issued in 2011, \$750,000 electric revenue bonds issued in 2007, and the \$1,000,000 utility revenue bonds issued in 2011.

Restricted for Capital Additions - This represents the amounts required to be held in the capital additions and contingencies accounts in accordance with the bond agreements for the \$6,000,000 utility revenue refunding bonds issued in 2011, \$750,000 electric revenue bonds issued in 2007, and the \$1,000,000 utility revenue bonds issued in 2011. It also represents internal restrictions by the City to be used for capital additions in coming year.

**Governmental Funds:**

The unassigned fund balances for governmental funds represent the amount available for budgeting future operations. Restrictions of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific restrictions of the fund balance accounts are summarized below.

**City of New Roads, Louisiana**  
**Notes to the Financial Statements**

Nonspendable for prepaid expenses -- This restriction was created to segregate a portion of the fund balance account to account for insurance expenses that have already been prepaid and will be recognized as an expense in the next operating cycle.

Restricted for Liability Claims - This restriction was imposed by a third party administrator to segregate a portion of the fund balance account to cover any costs that might be incurred due to changes in the coverage should any claims not be reported when incurred, which had the effect of reducing liability insurance premiums.

Restricted for Grants - Funds restricted by grants for future program costs. This restriction occurs in the HUD Section 8 Fund.

**NOTE 17 - SEGMENT INFORMATION**

Some services provided by the City are financed by user charges - electric, water, sewer, and natural gas. Due to the fact that these enterprise funds are both a segment and a major fund, segment information disclosure is not mandatory. However, significant financial data for these enterprises is reflected as follows:

	Electric	Natural Gas	Water/Sewer	Total
Operating Revenues	\$ 4,178,295	\$ 1,100,482	\$ 1,072,975	\$ 6,351,752
Depreciation	238,933	17,419	381,514	637,866
Operating Income	666,241	275,357	169,219	1,110,817
Net Income (Loss)	(637,316)	106,608	378,817	(151,891)
Property, Plant, and Equipment Additions	103,206	-0-	682,828	786,034
Total Assets	9,781,578	1,496,734	7,462,444	18,740,756
Fund Equity	2,655,966	1,290,490	6,513,881	10,460,337
Net Working Capital	536,743	238,656	(670,854)	104,545

**NOTE 18 - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES**

A portion of the salaries of the City's police officers are paid through a supplement from the state. These payments, remitted directly to the officers, provides the officers of the city with an additional \$500 per month, which is added to their base salary. For the year ended December 31, 2011, \$105,634 was received from the state and is included in revenues under intergovernmental revenue and in expenses under public safety on the combined statement of revenue, expenditures, and changes in fund balance.

**NOTE 19 - JOINT VENTURES**

Condensed or summarized below is the latest available financial information on the City's joint venture with the Parish:

	False River Air Park Commission (Unaudited)
Balance Sheet Date	12/31/11
Total Assets (not including GFA)	\$ 267,035
Total General Fixed Assets (GFA)	4,966,068
Total Liabilities	276,548
Total Net Assets	4,956,555
Total Revenues	1,085,921
Total Expenditures	476,407
Total Other Financing Sources (Uses)	-0-
Net Increase (Decrease) in Net Assets	609,514

**City of New Roads, Louisiana**  
**Notes to the Financial Statements**

**False River Air Park Commission**

The False River Air Park Commission is 50% owned by the City. For the year covered by the financial statement above, the City contributed \$54,785 as an operating grant to cover expenses of the facility. The False River Air Park Commission is a component unit of the Pointe Coupee Parish Police Jury because the Pointe Coupee Parish Police Jury is the governing authority for Pointe Coupee Parish.

**NOTE 20 - LITIGATION AND CLAIMS**

The City is a defendant in eight pending lawsuits. It is in the City counsels' opinion that the City is fully insured against the risk involved in the respective actions and that they are being actively defended by counsel of the City's insurers. The ultimate resolution of these lawsuits cannot be presently determined and no provision for any liability that may result from such claims has been made in the financial statements. Claims and litigation costs of \$93,439 were incurred in the current year and recorded as current-year expenditure in the General Fund.

**NOTE 21 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; health benefits; and natural disasters. The City currently reports all of its risk management activities in its General Fund. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. In a previous year, the City elected the "reimbursement method" for unemployment compensation benefits. If any claims are paid by the state, the City reimburses the state from the general operating account. The City had estimated unemployment compensation liability as of year-end of \$6,552, which has been recognized in year-end accounts payable.

In a previous year, the City decided to retain some of the risk with respect to at fault damages to City owned vehicles. The City carries a fleet insurance policy on all City owned vehicles, but is self-insured for at-fault damage to City owned vehicles. The amount of insurance premiums saved when this account was established, plus annual interest earnings funded the cash account. In May 2001, the City increased its deductible, due to high premium costs, on its auto liability policy to \$100,000 with a maximum aggregate loss of \$500,000 and implemented self insured retention. The City has no estimated liability for damaged vehicles or liability claims as of year-end. At year-end, this cash account had \$2,964 held for purposes of funding future claims. As a result, \$2,964 of the general fund balance is restricted for payment of future vehicle liability claims.

The City has adopted the provisions of GASB Statement Number 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Item". This self-insured fund is accounted for in the General Fund. As required by this statement, a reconciliation of claims liabilities and reservations is shown below.

	<u>Unemployment Compensation</u>	<u>Vehicle Liability</u>	<u>Totals</u>
Beginning of Fiscal Year Liability	\$ -0-	\$ -0-	\$ -0-
Current Year Claims & Changes in Estimates	24,827	63,019	87,846
Claim Payments	<u>(18,275)</u>	<u>(63,019)</u>	<u>(81,294)</u>
End of Fiscal Year Liability	<u>\$ 6,552</u>	<u>\$ -0-</u>	<u>\$ 6,552</u>

**City of New Roads, Louisiana  
Notes to the Financial Statements**

**NOTE 22 - LOUISIANA ENERGY AND POWER AUTHORITY CONTRACT**

The Louisiana Energy and Power Authority (LEPA), a political subdivision of the State of Louisiana, has joined nineteen Louisiana municipalities together in order to provide the members facilities for the generation and transmission of electric power. LEPA has obtained a 20% undivided ownership interest in a coal-fired steam electric generating unit under a Joint Ownership Agreement. The other two members of the agreement, Central Louisiana Electric Company, Inc. (CLECO) and Lafayette Public Power Authority (LPPA) have ownership interests of 30% and 50%, respectively. An Owner Committee consisting of LEPA, CLECO, and LPPA was formed to make recommendations to CLECO, the plant operator, and to decide on various issues including construction and operating budgets.

On October 1, 1992, the City together with four other cities entered into Power Sales Contracts with LEPA. Each city is required to purchase its respective entitlement share of generated electricity. The aggregate entitlement shares of all the cities equals 100%, of which the City's share is 2.83%. Each city is required to pay monthly for its entitlement share of power capability and energy on a take-or-pay basis, whether or not the unit is operating. The Power Sales Contracts will continue in effect until all bonds issued by LEPA have been provided for or the date the Contracts are terminated and settlement complete; however, in no event will the contracts continue beyond July 1, 2023.

On June 28, 1989, the City entered into a capacity purchase and operating agreement with LEPA, effective January 1, 1990. LEPA assumed full responsibility for the operation, maintenance, and control of the City's generating facilities. LEPA also provides labor, materials, insurance, supplies and maintenance costs. In turn, the City pays LEPA for the purchased capacity on a monthly basis as specified in the agreement. This agreement was signed for renewal in December 2005.

**NOTE 23 - UTILITY SERVICE AGREEMENTS**

Pointe Coupee Parish Sewerage District No. 1 & 3A

An agreement between the Sewerage District No. 1 & 3A of Pointe Coupee Parish and the City provided for the billing of Customers on the sewerage system who are also customers on the City's utility system. This billing agreement went into effect for the month of November 1980.

Solid Waste Disposal

An Agreement between the Solid Waste Disposal System of the Parish of Pointe Coupee and the City provides for the billing of customers on the City's system. This billing agreement went into effect for the month of October 1985. Under the terms of the agreement, the City retains \$1.50 per customer as a billing fee. On December 1, 2000, the City entered into its own solid waste disposal contract and will collect fees from residents within the city limits. Effective February 1, 2009, the contract was combined with the Parish whereby the city remits collection fees for city residents to the parish without retaining a billing fee.

Pointe Coupee Parish Sewage District No. 4

An agreement between the Sewage District No. 4 of Pointe Coupee Parish and the City provides for the City to handle operation and maintenance of the system with full cost reimbursement to the City for any expenses incurred in the processes. The Sewer District will be able to discharge into the City's oxidation ponds in exchange for a flat fee per gallon, with re-examination of the fees every two years of the agreement.

**City of New Roads, Louisiana**  
**Notes to the Financial Statements**

**NOTE 24 - COMPENSATION PAID TO BOARD MEMBERS**

In compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, compensation paid to board members during the year ended December 31, 2011 is as follows:

Mayor – Robert Myer	\$ 59,616
Council:	
Anthony Daisy	15,600
Vernell Davis	14,954
Kurt Kellerman	14,954
Bernadine St. Cyr	14,400
Kirk White	<u>14,400</u>
 Total Compensation	 <u>\$ 133,924</u>

**NOTE 25 - DEFINITION OF CASH AND CASH EQUIVALENTS USED IN THE STATEMENT OF CASH FLOWS**

For the purpose of the Statement of Cash Flows presented in the proprietary type funds, cash and cash equivalents are defined as unrestricted and restricted cash.

**NOTE 26 – SUBSEQUENT EVENTS**

Management has performed an evaluation of the City's activities through June 18, 2012, and has concluded that there are no significant subsequent events requiring recognition or disclosure through the date and time these financial statements were available to be issued on June 18, 2012.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF NEW ROADS, LOUISIANA  
GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE  
For the Year Ended December 31, 2011**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Taxes	\$ 1,459,000	\$ 1,445,450	\$ 1,450,284	\$ 4,834
Licenses & permits	267,000	263,910	279,684	15,774
Intergovernmental revenue	248,000	262,177	182,094	(80,083)
Charges for services	425,100	416,815	643,127	226,312
Fines and forfeitures	50,000	65,060	64,037	(1,023)
Miscellaneous	395,150	437,955	409,797	(28,158)
<b>Total revenues</b>	<b>2,844,250</b>	<b>2,891,367</b>	<b>3,029,023</b>	<b>137,656</b>
<b>EXPENDITURES</b>				
General government	1,420,075	1,683,015	1,680,893	2,122
Public safety	1,276,420	1,254,660	1,196,434	58,226
Streets and sanitation	757,748	811,920	834,886	(22,966)
Transportation	56,000	54,800	54,785	15
Culture and recreation	213,130	142,000	152,685	(10,685)
Economic development and assistance	75,870	54,680	229,246	(174,566)
Education	-	-	-	-
Capital outlay	226,400	295,110	303,772	(8,662)
Welfare	-	-	-	-
Public works	270,411	288,060	295,997	(7,937)
<b>Total expenditures</b>	<b>4,296,054</b>	<b>4,584,245</b>	<b>4,748,698</b>	<b>(164,453)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,451,804)</b>	<b>(1,692,878)</b>	<b>(1,719,675)</b>	<b>(26,797)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,190,000	1,408,600	1,104,454	(304,146)
Sale of fixed assets	-	-	24,100	24,100
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,190,000</b>	<b>1,408,600</b>	<b>1,128,554</b>	<b>(280,046)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(261,804)</b>	<b>(284,278)</b>	<b>(591,121)</b>	<b>(306,843)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>810,075</b>	<b>846,061</b>	<b>846,057</b>	<b>(4)</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 548,271</b>	<b>\$ 561,783</b>	<b>\$ 254,936</b>	<b>\$ (306,847)</b>

**CITY OF NEW ROADS**  
**New Roads, Louisiana**

**EMPLOYEE HEALTH CARE PLAN**  
**DECEMBER 31, 2011**

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
January 1, 2009	\$-0-	\$2,409,474	\$2,409,474	0%	\$1,827,042	131.88%
December 31, 2010	\$-0-	\$2,606,087	\$2,606,087	0%	\$1,944,936	133.99%
December 31, 2011	\$-0-	\$2,710,331	\$2,710,331	0%	\$1,592,960	170.15%

## **OTHER SUPPLEMENTAL INFORMATION**

**CITY OF NEW ROADS  
New Roads, Louisiana**

**NON-MAJOR GOVERNMENTAL FUNDS**

**HUD-Section 8 Program Fund**

The HUD-Section 8 Program Fund is used to account for funds which are designated to aid low-income families to obtain decent, safe, and sanitary housing through a system of rental subsidies.

**CITY OF NEW ROADS, LOUISIANA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
December 31, 2011**

	<b>HUD - SECTION 8 SPECIAL REVENUE FUND</b>	<b>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</b>
<b><u>ASSETS</u></b>		
Current Assets		
Due from other governmental units	-	-
Restricted Assets		
Cash	\$ 129,418	\$ 129,418
 TOTAL ASSETS	 \$ 129,418	 \$ 129,418
 <b><u>LIABILITIES &amp; FUND BALANCE</u></b>		
<b>LIABILITIES:</b>		
 <b>FUND BALANCE</b>		
Restricted for:		
Federal grant	\$ 129,418	\$ 129,418
TOTAL FUND BALANCE	129,418	129,418
 TOTAL LIABILITIES & FUND BALANCE	 \$ 129,418	 \$ 129,418

**CITY OF NEW ROADS, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2011**

	<b>HUD SECTION 8 SPECIAL REVENUE FUND</b>	<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
<b>REVENUES</b>		
Intergovernmental revenue	\$ 234,018	\$ 234,018
Miscellaneous	45,367	45,367
	<hr/>	<hr/>
Total revenues	279,385	279,385
	<hr/>	<hr/>
<b>EXPENDITURES</b>		
Debt service	-	-
Welfare	275,765	275,765
	<hr/>	<hr/>
Total expenditures	275,765	275,765
	<hr/>	<hr/>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	3,620	3,620
	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	-	-
Transfers out	-	-
Total other financing sources (uses)	-	-
	<hr/>	<hr/>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	3,620	3,620
	<hr/>	<hr/>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	125,798	125,798
	<hr/>	<hr/>
<b>FUND BALANCES AT END OF YEAR</b>	\$ 129,418	\$ 129,418
	<hr/>	<hr/>

**CITY OF NEW ROADS, LOUISIANA  
NON-MAJOR GOVERNMENTAL FUNDS  
HUD SECTION 8  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended December 31, 2011**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Intergovernmental revenue	250,000	250,000	234,018	(15,982)
Miscellaneous	31,000	47,000	45,367	(1,633)
<b>Total revenues</b>	<b>281,000</b>	<b>297,000</b>	<b>279,385</b>	<b>(17,615)</b>
<b>EXPENDITURES</b>				
Welfare	260,450	286,205	275,765	10,440
<b>Total expenditures</b>	<b>260,450</b>	<b>286,205</b>	<b>275,765</b>	<b>10,440</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>20,550</b>	<b>10,795</b>	<b>3,620</b>	<b>(7,175)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>20,550</b>	<b>10,795</b>	<b>3,620</b>	<b>(7,175)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>95,266</b>	<b>125,797</b>	<b>125,798</b>	<b>1</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 115,816</b>	<b>\$ 136,592</b>	<b>\$ 129,418</b>	<b>\$ (7,174)</b>

**CITY OF NEW ROADS  
New Roads, Louisiana**

**GENERAL**

**EXPENDITURES OF FEDERAL AWARDS  
AND AUDIT FINDINGS RESOLUTION**

In accordance with Office of Management and Budget (OMB) Circular A-133, the schedule of expenditures of federal awards is presented, along with notes to the schedule of expenditures of federal awards.

**CITY OF NEW ROADS**  
**New Roads, Louisiana**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2011**

Federal Grantor/ Pass-Through Grantor Federal Grants/ <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
<b>United States Department of Housing And Urban Development</b>			
Direct:			
Section 8 Housing Choice Vouchers	14.871	Proj #LA205	\$ 234,018
<b>United States Department of Homeland Security</b>			
Passed through the La. Governor's Office of Homeland Security & Emergency Preparedness:			
Disaster Grants – Public Assistance	97.067	FEMA1786LA	24,307
<b>United States Environmental Protection Agency</b>			
Passed through La. Dept. of Environmental Quality:			
ARRA – Capitalization Grants for Clean Water State Revolving Funds	66.458	CS221215-1	<u>529,501</u>
Total (All Federal)			<u>\$ 787,826</u>

The accompanying notes are an integral part of this schedule.

**CITY OF NEW ROADS**  
**New Roads, Louisiana**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2011**

**Note A – Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of New Roads and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Note B – Risk Based Approach**

The dollar threshold used to distinguish between Type A and Type B programs is \$300,000. The City does not qualify as a low-risk auditee.

**OTHER REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***  
**AND**  
**OMB CIRCULAR A-133**

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

A report on compliance with laws and regulations and on internal controls over financial reporting and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

**Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133**

A report on compliance with requirements of laws, regulations, contracts, and grants applicable to each major program and internal control as required by *U.S. Office of Management and Budget (OMB) Circular A-133*. In conducting an audit in accordance with standards, this report discloses any instances of noncompliance with requirements of each major program as well as any significant deficiencies and/or material weaknesses in internal control over those major programs.

**MAJOR, MORRISON & DAVID**  
**CERTIFIED PUBLIC ACCOUNTANTS**

JOHN L. MORRISON III, CPA, PC  
MARK A. DAVID, CPA, PC

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

VAN P. MAJOR, CPA (1951-2005)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Robert A. Myer  
And Members of the City Council  
City of New Roads, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Roads, Louisiana, as of and for the year ended December 31, 2011, which collectively comprise the City of New Roads, Louisiana basic financial statements, and have issued our report thereon dated June 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the City of New Roads, Louisiana is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of New Roads' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of New Roads' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of New Roads' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 11-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of New Roads' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 11-2 and 11-3.

We noted certain matters that we reported to management of the City of New Roads, Louisiana, in a separate letter dated June 18, 2012.

The City of New Roads' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of New Roads' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City of New Roads, Louisiana's mayor and council members, management, the Legislative Auditor for the state of Louisiana, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Major, Morrison & David  
New Roads, Louisiana  
June 18, 2012

*Major, Morrison & David*

**MAJOR, MORRISON & DAVID**  
**CERTIFIED PUBLIC ACCOUNTANTS**

JOHN L. MORRISON III, CPA, PC  
MARK A. DAVID, CPA, PC

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CERTIFIED PUBLIC ACCOUNTANTS

VAN P. MAJOR, CPA (1951-2005)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

The Honorable Robert A. Myer  
And Members of the City Council  
City of New Roads, Louisiana

Compliance

We have audited the City of New Roads' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of New Roads' major federal programs for the year ended December 31, 2011. The City of New Roads' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of New Roads' management. Our responsibility is to express an opinion on the City of New Roads' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of New Roads' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of New Roads' compliance with those requirements.

In our opinion, the City of New Roads complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the City of New Roads is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of New Roads' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of New Roads' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City of New Roads' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of New Roads' responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the City of New Roads' mayor and council members, management, the Legislative Auditor for the state of Louisiana, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Major, Morrison & David*

Major, Morrison & David  
New Roads, Louisiana  
June 18, 2012

**CITY OF NEW ROADS**  
**New Roads, Louisiana**  
**Schedule of Findings and Questioned Costs**  
**As of and For the Year Ended December 31, 2011**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_yes Xno

Significant deficiency(ies) identified?

Xyes \_\_\_none reported

Noncompliance material to financial statements  
noted?

Xyes \_\_\_no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

\_\_\_yes Xno

Significant deficiency(ies) identified?

\_\_\_yes Xnone reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported  
in accordance with Circular A-133, Section .510(a)?

\_\_\_yes Xno

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

**United States Environmental Protection Agency**

66.458

Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

\_\_\_yes Xno

**CITY OF NEW ROADS**  
**New Roads, Louisiana**  
**Schedule of Findings and Questioned Costs**  
**As of and For the Year Ended December 31, 2011**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Finding 11-1:**

**Criteria:** In order to maintain adequate internal controls over the possible theft of fixed assets, all assets should be tagged, monitored, and periodically inspected on a regular basis.

**Condition:** Upon tests of the capital outlay expenditures, it was determined that not all acquisitions had been recorded on the fixed asset listing nor tagged on a timely basis. This finding is a continuation of the prior year's finding.

**Effect:** Non-recording, tagging or monitoring fixed assets could result in the misappropriation of assets as well as a material misstatement of the financial statements.

**Cause:** Due to the City's asset listing software not being integrated with the general ledger function, reconciliations were not performed between the asset listing and general ledger accounting software to verify that all capital outlay purchases had been recorded on a monthly basis nor were assets consistently tagged due to turnover in the position responsible for asset tagging.

**Recommendation:** We recommend that written procedures be implemented to provide for timely tagging upon physical receipt of fixed assets, monthly reconciliations of capital outlay accounts be performed between the asset listing and general ledger software, and communications between the accounts payable position, fixed asset clerk and controller position be strengthened in order to provide for the proper recording and accounting on a timely basis of all asset purchases. Accounts payable personnel should also be trained and advised on the need to copy and distribute all invoices regarding fixed assets to the correct accounting personnel in order to facilitate the smooth reconciliation between the asset accounting software and general ledger software. Periodic physical inventories of all fixed assets should be performed in order to verify the continued existence of assets, reducing the possibility of misappropriation of the City's property.

**Management's Response:** Management agrees with the recommendations and has improved its policies and procedures to ensure compliance with the tracking, tagging and monitoring of all fixed assets. Construction of a new policy and procedures manual has been completed and steps are being implemented which includes improved design of the fixed asset purchase process, reconciliations on a timely basis, training of required personnel, and processes for tagging assets in a central location. Due to the magnitude of this process and the limited personnel, management has not fully completed during this audit cycle, but intends to complete for the next reporting period.

**Finding 11-2:**

**Criteria:** Actual revenues and other sources for the remainder of the year, within a fund, shall not fall below the total budgeted revenues and other sources by 5% or more.

**Condition:** The City's actual revenues and other sources within the HUD Section 8 Special Revenue Fund failed to meet budgeted revenues by 5% or more.

**Context:** Total actual revenues and other sources totaled \$279,385 and budgeted revenues and other sources totaled \$297,000 which is a difference of \$17,615 and represents 5.9% less than budgeted revenues and other sources.

**Effect:** It results in the City to be in violation of LSA-RS39:1310(a)(2) regarding budgetary authority and control.

**CITY OF NEW ROADS**  
**New Roads, Louisiana**  
**Schedule of Findings and Questioned Costs**  
**As of and For the Year Ended December 31, 2011**

**Cause:** Upon preparation of the amended budgets, management overestimated federal revenues and other reimbursements expected to be received prior to the end of the current fiscal year.

**Recommendation:** Management should monitor more closely actual revenues and compare to budgeted amounts more frequently, and amend the budget if necessary. Management should also monitor account postings on a monthly basis in order to verify proper classification of recorded items.

**Management's Response:** Management has indicated this was an isolated event resulting from the improper reverse posting of a monthly accounts receivable reimbursement. Management will take steps to monitor the budget on a more frequent basis in order to avoid this occurrence from happening again. Additional communications will occur between accounting personnel and grant supervisors in order to make sure all information and estimates are present upon budget preparation.

**Finding 11-3:**

**Criteria:** The sale of surplus property by a municipality can be accomplished with four different methods: Disposition under R.S. 49:125- sale at public auction open to private persons; Disposition under R.S. 33:4712(F)- private sale of assets with an appraised value of \$5,000 or less provided there is a resolution passed with reasons for the action; Disposition under R.S. 33:4711.1- sale through the use of electronic technology including the internet; and Disposition under R.S. 33:1321- sale to another public entity through an intergovernmental agreement (Local Services Law).

**Condition:** During the current year, the City traded in a surplus law enforcement vehicle on the purchase of a new law enforcement vehicle from a private automobile dealership.

**Effect:** Results in a violation of Article VII, Section 14 requirements for the sale of public property by not following the proper methods to dispose of surplus property as referenced in the first paragraph of this finding.

**Cause:** The City purchased a second hand law enforcement vehicle for \$9,619 and at the same time traded in a surplus law enforcement vehicle receiving \$24,000 on the trade in value thereby receiving funds on the transaction in the amount of \$14,381. The City incorrectly interpreted the rules regarding trading in of a law enforcement vehicle and not fully researching the correct laws regarding this transaction.

**Recommendations:** We recommend that the City follow the established rules regarding the sale of surplus properties established by Louisiana revised statutes. Formal detailed rules regarding the disposition of surplus property can be found on the Louisiana Legislative Auditor's website for which we have provided a complete copy to the City and advised them of the need to provide all personnel in charge of procurement of city property and equipment.

**Management's Response:** Management has acknowledged the compliance violation of the disposition of surplus property and has taken the steps to inform all personnel in the purchasing process of the correct steps on disposing of surplus property to be followed in all future transactions.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no matters reported as required by Circular A-133, Section .510(a)

**CITY OF NEW ROADS**  
**New Roads, Louisiana**

**Summary Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2011**

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
<b>Section I – Internal Control and Compliance Material to the Financial Statements:</b>				
10-1	2010	Lack of segregation of duties in the petty cash process, some grant process, duties for secretary/treasurer & controller.	Yes	07/11
10-2	2010	Lack of formal review & approval procedures in accounts payable & expenditure process.	Yes	07/11
10-3	2010	Lack of timely bank reconciliations which could result in loss of public funds.	Yes	07/11
10-4	2010	Lack of proper controls over network program modules possibly allowing unauthorized personnel access to restricted information.	Yes	07/11
10-5	2010	Lack of timely tagging, monitoring, & testing fixed assets on a more frequent basis.	Partial	Management is continuing the process & should be completed by the end of this calendar year.
10-6	2010	Compliance violation regarding electric sinking fund bond covenant.	Yes	07/11
10-7	2010	Compliance violation regarding electric capital additions & contingencies fund bond covenant.	Yes	07/11
10-8	2010	Compliance violation regarding the water/sewer sinking fund bond covenant.	Yes	07/11
10-9	2010	Lack of complete documentation of credit card receipts & accounts payable expenditures.	Yes	07/11

**Section II – Internal Control and Compliance Material to Federal Awards**

There were no prior year findings.

**Section III – Management Letter:**

Discussion of the above referenced findings.

**CITY OF NEW ROADS**  
**New Roads, Louisiana**

**Corrective Action Plan for Current Year Audit Findings**  
**For the Year Ended December 31, 2011**

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completed</u>
<b>Section I – Internal Control and Compliance Material to the Financial Statements:</b>				
11-1	Lack of timely tagging, monitoring, & testing fixed assets on a more frequent basis.	Management will update tagging & monitoring procedures on a more timely basis by assigning duties to a fixed asset clerk. A physical inventory will be taken & also be performed on a more frequent basis.	R. Myer C. Rockforte	12/12
11-2	Violation of RS 39:1310(A)(2) regarding budgetary control	Additional steps will be taken to more closely monitor the budget more frequently on all funds of the City & compare to actual revenues.	R. Myer C. Rockforte	07/12
11-3	Violation of Article 7, Sec 14 of La Constitution regarding the disposition of surplus property. City traded-in vehicle.	Management has obtained disposition of surplus property rules & procedures, obtained copies of statutes & will inform & train personnel of the procedures that must be followed for disposing of all surplus property.	R. Myer C. Rockforte	07/12

**Section II – Internal Control and Compliance Material to Federal Awards**

There were no current year findings.

**Section III – Management Letter:**

Discussion of the above referenced findings.

**CITY OF NEW ROADS**  
**New Roads, Louisiana**  
**Schedule of Insurance**  
**Unaudited**  
**As of and For the Year Ended December 31, 2011**

<u>Insurance Company</u>	<u>Policy Term</u>	<u>Policy Description</u>	<u>Policy Limits</u>
Hartford Steam Boiler Ind. Co.	6/1/11 to 6/1/12	Boiler and Machinery	\$3,960,500 limit; \$5,000 deductible; transformers \$25,000 deductible (to cash value of equipment depending on age of equipment)
Allstate Insurance Co.	1/3/11 to 1/3/12	Fire Standard Blanket Policy on Bldg. & Prop.	\$3,816,500 gas warehouse, substation & equipment
One Beacon Insurance	4/9/11 to 4/9/12	General Liability Auto	\$2,000,000 general aggregate; \$1,000,000 each occurrence \$75,000 self-insured retention
Hudson Specialty Insurance	6/21/09 to 6/21/12	Pollution	\$3,000,000 aggregate \$25,000 deductible
Columbia Casualty	4/9/11 to 4/9/12	Public Officials Liability	
LWCC	11/1/11 to 11/1/12	Worker's Compensation	Statutory Limits

**CITY OF NEW ROADS**  
**New Roads, Louisiana**  
**Schedule of Electric, Water, & Gas Customers**  
**Unaudited**  
**As of and For the Year Ended December 31, 2011**

Number of metered electric customers	2,421
Number of non-metered electric customers	<u>-0-</u>
Total electric customers	<u>2,421</u>
Number of metered water customers	3,359
Number of non-metered water customers	<u>-0-</u>
Total water customers	<u>3,359</u>
Number of metered gas customers	2,370
Number of non-metered gas customers	<u>-0-</u>
Total gas customers	<u>2,370</u>

# MAJOR, MORRISON & DAVID

## CERTIFIED PUBLIC ACCOUNTANTS

JOHN L. MORRISON III, CPA, PC  
MARK A. DAVID, CPA, PC

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

VAN P. MAJOR, CPA (1951-2005)

Honorable Mayor Robert A. Myer  
And Members of the City Council  
New Roads, Louisiana 70760

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Roads as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the City's internal control to be a significant deficiency.

Item 11-1: Failure to record and tag fixed assets on a timely basis.

In addition to the deficiencies as identified above, we wish to communicate the following comments and recommendations to management and the council:

- 1) Although the City has improved its budgeting process, we feel that the budget which is adopted based on balanced operations should be strictly adhered to as a means for controlling costs within the City's operations.
- 2) A shortage of trained personnel in the finance area as well as turnover in key positions has placed undue pressure on current employees to perform at a high level which could cause errors and mistakes that would not normally occur if more personnel were employed to assist in the finance functions. We recommend hiring additional financial personnel to assist in these operations, as well as cross training of current personnel in duties for which they could assume for temporary periods of time when turnover does occur.

- 3) As commented in our prior year engagement, analysis of the City's operations has indicated the expenditure of funds cannot continue at its current pace due to the continued depletion of its savings and we wish to recommend that management double its efforts to cut costs and obtain efficiencies where appropriate within the operations of the City. Additional analysis of expenditures as well as alternative funding sources should be explored in order to provide the needed funds for operations. Although a refinancing of the City's debt has helped cash flow, more revenues need to be produced in order to allow for less reliance from the proprietary operations to fund governmental expenditures.

This communication is intended solely for the information and use of the City of New Roads, Louisiana's mayor, council members, management, the Legislative Auditor for the state of Louisiana, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Major, Morrison & David*

Major, Morrison & David  
New Roads, Louisiana  
June 18, 2012



# CITY OF NEW ROADS LOUISIANA

P.O. BOX 280 • 211 W. MAIN STREET • NEW ROADS, LA 70760

## ADMINISTRATION

Mayor  
Robert A. Myer

Secretary-Treasurer  
Lynette H. Nelson

Chief of Police  
Kevin McDonald

City Attorney  
John W. Jewell

Finance Director  
Cherie Rockforte

Public Works Director  
Salvador "Sal" Rinaudo, Jr.

July 30, 2012

Mr. Daryl G. Purpera, CPA, CFE  
Legislative Auditor  
State of Louisiana  
P.O. Box 94397  
Baton Rouge, La. 70804-9397

Dear Mr. Purpera:

The City of New Roads respectfully submits the following actions that have been or will be taken relative to the management letter comments provided to us in regards to the audit for the year ended December 31, 2011:

### Recommendation #1: Budget Process

We feel that our budget process was much improved in our first year of operations although we were not quite where we wished to be. We have streamlined our budget process to obtain more accurate estimates for revenues and expenditures and increased accountability by departmental supervisors to abide by the estimates in order to reduce our excess spending. Cost reduction was put into place although some one time expenditures were incurred unexpectedly which were deemed unavoidable. Upon completion of our audit, we realized more work needs to be done on significant cost reduction and examined all areas where costs could be reduced and determined there were areas where we could produce reductions and savings. We feel we are on track through the first part of the new year for a balanced budget with the reductions we have instituted to date and are continuing to examine unnecessary costs that can be reduced. We will also analyze operations more frequently to insure that operations are within our reduction of expenditure goals and take action when expenditures are out of line.

### Recommendation #2: Finance Personnel

Although lack of trained personnel and maintaining the necessary personnel for small governments is a difficult task, we have been interviewing candidates for placement in financial positions in order to provide for a balanced work environment so as not to place too much burden on individual workers. Job assignments have been rearranged among current personnel, after training them in new tasks, and remaining within the segregation of duties for proper internal control. Based on our current need to reduce costs we have determined that it is difficult to hire trained personnel at the price range we had envisioned, however we have redoubled our efforts in order to maintain and improve operations within our finance department, with several potential candidates on our interview list.

## COUNCIL MEMBERS

Anthony Daisy, Mayor Pro Tem  
1112 St. Mary Street  
New Roads, LA 70760

Vernell Davis  
P.O. Box 1092  
New Roads, LA 70760

Kurt Kellerman  
1705 False River Drive  
New Roads, LA 70760

Bernadine St. Cyr  
601 Carver Drive  
New Roads, LA 70760

Kirk M. White  
602 Louisiana Street  
New Roads, LA 70760

### **Recommendation #3: Excess expenditures**

Upon my election as mayor, we reexamined the original proposed budget for the current year and made changes in order to streamline our expenditures and cut unnecessary proposed expenditures. It seems that we did not accomplish all of our goals. Upon examining our operations for 2011, we determined that we were hit with unexpected one time expenditures totaling around \$318,000 from increased professional fees (engineer, accounting, consultants), garbage increases not billed by the parish for past years which hit in a lump sum, additional current year price increases in garbage fees for which we were not informed until last minute not providing time to include in an ordinance to increase prices collected from the public, electrical and sewer repairs, public safety expenses and the need to replace police vehicle units just to mention a few. For not the incurrence of these one-time expenditures we would have shown improvements in 2011 compared to 2010, although not enough. Towards the end of 2011, we reduced the number of personnel not deemed necessary in our proprietary funds which we calculate will result in reduced personnel costs of salary, retirement, taxes and health insurance and will be reflected more fully in our coming year operations. Upon completion of our audit, we were able to identify additional areas where costs could be reduced such as overtime, nonessential vehicle usage reduction (saving operating cost and fleet reduction), and other expenses that could be cut without affecting services to the public. We also improved our cash flow by refinancing our long term bonds at lower interest rates providing additional current savings. Additionally we are looking at ways in which we can increase revenues through alternative sources specifically increasing economic development by bringing in more businesses to increase our tax collections, occupational licenses, and utility revenues. This has resulted in development of a business industrial park with commitments from several new businesses and a Super Wal Mart currently under construction which should increase our tax and utility revenues.

After mid- year operations were examined we identified areas exceeding the current budget estimates and will be reducing current costs in these areas so as to end the current year within budget. Should you have any additional questions please contact me or Ms. Cherle Rockforte, Finance Director for the City of New Roads.

Sincerely,



Robert A. Myer, Mayor  
City of New Roads